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The Use of Contracting by Public Transit Agencies in California

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THE USE OF CONTRACTING
BY PUBLIC TRANSIT AGENCIES
IN CALIFORNIA

Final Report

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with
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and
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Prepared for
California Department of Transportation
Division of Mass Transportation

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THE CONTENTS OF THIS REPORT REFLECT THE VIEWS OF AUTHORS WHO ARE RESPONSIBLE FOR THE FACTS AND THE ACCURACY OF THE DATA PRESENTED HEREIN. THE CONTENTS DO NOT NECESSARILY REFLECT THE OFFICIAL VIEWS OR POLICIES OF THE U.S. DEPARTMENT OF TRANSPORTATION, THE URBAN MASS TRANSPORTATION ADMINISTRATION, THE STATE OF CALIFORNIA, THE OFFICE OF THE SECRETARY OF THE BUSINESS, TRANSPORTATION AND HOUSING AGENCY, OR THE CALIFORNIA DEPARTMENT OF TRANSPORTATION. THIS REPORT DOES NOT CONSTITUTE A STANDARD, OR SPECIFICATION.

PREFACE

This report is prepared in a modular format. A module is a numbered section of the report comprised of two facing pages usually consisting of about one page of text and one and sometimes two exhibits. There is nothing like a module in traditional technical writing. It contains more information than a paragraph and less than a chapter. The concept apparently developed in the aerospace industry. The originators thought of the module as analagous to a scene in a movie. It is intended to encourage more rigorous organization and writing for the purpose of greater clarity. If it fails here it is the fault of the author and not the technique.

Readers wanting a summary of the study are referred to Chapter 2 which contains a summary of the major findings of the study, conclusions drawn by the consultants from those findings, and recommendations for enhancing the practice of contracting through technical assistance methods. While there was not a requirement for recommendations of this type, the desire for such an inclusion was expressed by Caltrans personnel. We have tried to make the findings as objective as possible. The conclusions and recommendations are the opinions of the consultants.

The questionnaire used as the central data collection instrument is contained in Appendix A. A glossary of the terms used in the questionnaire and in the study comprises Appendix B.

Donald Freese of the Division of Mass Transportation of Caltrans was the project administrator of the project. The principal investigator for SYSTAN was Roy Lave who was joined by consultants Roger Teal, of the Institute of Transportation Studies at the University of California, Irvine, and Geri Cross of Geri Cross and Associates. Telephoning work was performed by staff members of Homitz, Allen and Associates.

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1. INTRODUCTION

1.1 BACKGROUND

Private sector involvement in the offering of transit is a pendulum beginning to swing back into the transit picture. This has stimulated interest in contracting as a management tool for seeking cost-effective transit.

In the 1960's and 1970's public transit agencies were being formed to acquire private transit companies which were no longer able to survive in a competitive market. The concept of transit as an important service worthy of being supported with public funds was gaining widespread acceptance. There were those who thought that transit could be self supporting and was merely being mismanaged by private companies who would not invest to modernize their operations. Others perceived that transit was destined to be another subsidized public service. Regardless of motivation, the primary objective of the new public transit operations was to improve service and demonstrate that good transit can attract riders.

The funds to acquire and expand public transit were initially provided by federal subsidies administered by the Department of Housing and Urban Development and then in 1964 by the newly formed Urban Mass Transportation Administration. In 1971, California passed the Transportation Development Act (TDA) providing substantial funding for capital and operating assistance. In addition, taxpayers have been willing to pass local property and sales taxes for transit in some areas.

After twenty years of public subsidy with mixed results, the decline in federal and state support and the extraordinary escalation of transit costs have forced sponsors and operators to search for ways to enhance transit with existing resources. Transit has always contracted with the private sector for a variety of goods and services but never as a matter of policy, although such a policy was in the original UMTA Act:

".... the Secretary finds that such program, to the maximum extent feasible, provides for the participation of private mass transportation companies,"

— Section 3(e)(2), Urban Mass Transportation Act, 1964

Now UMTA has adopted policies directing the consideration of private providers of transit services. While it appears that Congress may temper UMTA's enthusiasm for enforcing the use of contracting, UMTA's efforts have raised awareness that cost savings may be found in contracting.

1.2 PURPOSE

The question is, "Are California public transit agencies using contracting and using it well?" This study addresses that question.

In the operation of transit, there are many goods and some services that are traditionally provided by private sector companies. The new focus is the consideration of contracting for services for which there is a choice — such services can be provided by staff of the transit provider or they can be contracted. The result of this attention may be more contracting. To capture any potential cost savings, the contracting must be well done. The desire to understand how California transit agencies use contracting has motivated this study.

The purpose of the study is to document and assess the use of contracting arrangements by public transit agencies to obtain goods and services from the private sector. The study includes: (1) the scope of contracting — defined as the variety of goods and services purchased; (2) the quantity of contracting — defined in terms of dollars contracted, the number of contracts and other numeric measures; and (3) the quality of contracts.

This report documents the findings of the study. It is intended to provide information to: (1) aid policy formation at the federal, state and regional levels; (2) direct agencies to other agencies that are similar to themselves, or peers, so that they can share experiences about contracting; and (3) to aid transit operating agencies to understand contracting so that they may determine when it is useful and how it can be effectively used.

The study's purpose is a descriptive one — to describe contracting by public transit agencies. Although prescriptive work was not explicitly included in the terms of reference, Caltrans views this study as the beginning of a study process to ascertain the need assistance in contracting and to prescribe the form of that assistance if it is needed. Therefore, the consultants have offered recommendations to that end in the next chapter.

1.3 METHODOLOGY

The study used a mail questionnaire supplemented by telephone calls as information collection instruments.

The methodology employed used a mail questionnaire (provided in Appendix A) as the main instrument of data collection. The questionnaire was intended for all California transit operators. In addition, three sets of telephone contacts were made. Working from a list provided by the California Department of Transportation which contained agency names, but not the staff members having responsibilities that would allow them to complete the questionnaire, the first call explained the study and sought a staff person who would agree to complete the questionnaire or see that it was completed. No attempt was made to screen agencies at this time since the study was intended to seek contact with the entire list. Agencies for follow-up contact were screened as is explained below.

The second call to agencies was made to those who had not responded to the questionnaire by the date requested. During this call, information on size of agency, type of service offered, and degree of contracting was sought as a means of examining those who would not respond to see if they were unique in some way. This is a method for recognizing the possibility that those who respond to a discretionary questionnaire may be different than the total population and may bias the results.

The third calls were made to those agencies which had sent the questionnaire but had omitted some answers, had provided information that was not clear, or had indicated information that seemed to provide important insights for analysis.

Calls of the second type were also made to agencies who indicated by card, letter or phone that they were not going to respond. The most common reason for not responding was that no contracting was done. Since it is important to include those in the sample who do not contract in order to obtain valid estimates of the scope and quantity of contracting, these non-respondents were urged to respond and some information was solicited during the phone conversation. Other reasons for not responding were that the person to respond was on vacation (a hazard of summer surveys) or had recently left the agency, the person having to respond was new, the survey was too much trouble, or the respondents considered it a waste of their time to complete it.

The most serious challenge to the integrity of studies such as this is sampling error and sampling bias caused by non-responses. Sampling error results when the responding agencies are such a small number compared to the total population that they are not representative of that population. The solution to this problem is to increase the sample size. As the original solicitation was made to 100% of the identified transit operators, sampling error per se is not a serious problem.

1.3 METHODOLOGY (Continued)

A more serious problem is sampling bias, or more precisely, the particular sampling bias due to failure to respond by a large number of agencies. The statistical theory underlying the analysis of the responses assumes the sample is chosen randomly, meaning that any respondent has an equal probability to be chosen for the sample. Non-response bias results when respondents have discretion of whether or not to respond and those who do respond are different in some way which will affect their responses. The fact that the responses to this study are based on a self selection process creates some problems with the statistical theory especially as only an estimated 40% of the solicited agencies which should have responded actually responded to the survey. Statistical theory might be used if the self selection process can be assumed to be a kind of random selection process with regard to the information sought in the survey. This requires that there is nothing about the agencies that chose to respond that is different from the ones that did not. For example, if the agencies that did a good deal of contracting did not respond because the questionnaire required much effort, and the agencies that did not contract responded because it was easy, the responses would under-report the amount of contracting being done.

For agencies reporting a service of less than 50 vehicles, there is every indication that the response is non-biased. The same cannot be said of larger agencies. It is known that many of the larger non-respondents do not contract for any revenue service, whereas most of the large respondents do engage in service contracting. Thus the results for large systems should be treated cautiously as there appears to be non-response bias. This is primarily a problem if the results of the sample are extrapolated to the universe of California transit operators. These situations are noted throughout the report.

1.4 AGENCIES INCLUDED IN THE STUDY POPULATION

The study was to include all California public transit agencies who offer motor bus and demand responsive services. The word "agencies" is used to describe these organizations since they are a diverse set of organizations. The word "properties" which is the term traditionally used to refer to transit operators in the transit industry, is not appropriately applied to cities or counties who are included in this study.

The survey was conducted during a time when transit agencies have been receiving many inquiries about contracting, a situation which made some reluctant to respond to "one more survey." Nevertheless, the response to a rather complex questionnaire was large enough to support the findings of the study. The breakdown of those agencies responding is shown in Exhibit 1.1 by agency size — measured by the number of vehicles in their fleet — and by type of organization. An indication of the geographic location of the respondents is shown in Appendix C.

The vehicle fleet size was used as a category for analysis throughout the study. Other characteristics used for analysis (the so-called independent variables) were: organization type; type of service offered in three classes — fixed route, demand responsive, and taxi; and the percentage of operating costs that are contracted. For the most part, only size proved useful for explaining differences in the data. On many occasions, the larger fleets were combined into one class for analysis.

A number of organizations on the initial list were not included in the analysis. These are organizations who have ceased to offer public transit, and organizations who are eligible to claim public funds to provide transit but who do not claim those funds for this purpose or who defer to others who claim the funds. In addition, public or private organizations who offer transportation for their clients only were not included. Two examples of excluded agencies are a housing organization offering transportation for their residents and a medical organization providing service for their patients. Services for the handicapped and elderly in general are included as they are universally considered to be public transportation.

An examination of Exhibit 1.1 indicates that there is some correlation between size and type of organization. Most cities and counties tend to have small fleets, except for San Francisco and Los Angeles, as do most not-for-profit organizations and joint powers agencies. Most of the larger vehicle fleets are operated by transit districts.

One difficulty with size as a measure is the ambiguity caused by services offered with non-dedicated vehicle fleets such as the arrangements for most user-side subsidy taxi services. [1] There is no accepted means of assigning a fleet size to these operations. When asked, most providers will cite the entire taxi fleet, presumably because it is potentially available. Although it would not be difficult to assign a comparable measure, it has not been done by the industry and is a deficiency for studies such as this. The noteworthy problem for this study is that Los Angeles county is considered to be in the category having the smallest fleet although it administers over three dozen taxi contracts utilizing many vehicles.

1.4 AGENCIES INCLUDED IN THE STUDY POPULATION (Continued)

Exhibit 1.1
**AGENCIES INCLUDED IN THE STUDY
 BY FLEET SIZE AND AGENCY TYPE**

Fleet Size	City	County	Transit District	Not-For-Profit	Joint Powers Agency	Total in Study	Estimated Total in California
9 or fewer vehicles	43	9	1	4	6	63	unknown
10 to 24 vehicles	7	5	2	1	2	17	unknown
25 to 49 vehicles	3	2	0	1	1	7	11
50 to 99 vehicles	1	0	1	1	2	5	10
100 to 249 vehicles	0	0	2	0	0	2	6
250 to 499 vehicles	0	0	2	0	0	2	3
Greater than 500 vehicles	1	0	1	0	0	2	5
Total	55	16	9	7	11	98	-

Exhibit 1.2
AGENCIES INCLUDED IN THE STUDY BY TYPE OF SERVICE

Fleet Size	Fixed Route Only	Demand Responsive Only	Both Fixed Route & Demand Responsive
9 or fewer vehicles	11	40	12
10 to 24 vehicles	6	5	6
25 to 49 vehicles	2	2	3
50 to 99 vehicles	2	1	2
Greater than 100 vehicles	1	0	5
Total			

[1] User-side subsidy taxi services are ones in which the subsidy payment is made to the user, usually in the form of a voucher, rather than directly to the provider.

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1.5 SCOPE OF THE SUBJECT MATTER

The study as requested includes "contract services" which was defined to include all goods and services.

The study focused on those functions which comprise operating costs of motor bus and demand responsive bus systems to the exclusion of capital costs for vehicles and construction projects. It includes all goods and services used to perform those functions including leases of equipment.

To describe to the respondents what type of contracts were included, the questionnaire contained a list of goods or services that might be contracted (Questions 8 to 12). A few of these items might be obtained by the implied contracts that accompany a simple one-time purchase although the intent was to focus on contracting by written document and contracts that have a time term. The respondents seemed to respond appropriately.

A special case included was the study contract, which is not usually considered to be part of operating costs. It was included in the study by Caltrans since many studies are contracted and the contracting procedures are similar to service contracts in operations.

The inclusion of goods, services and studies did present a survey design challenge that was not totally solved. The consultants found that many of the responses about contracting would differ depending on which of these entities was the subject. The inclusion of questions for each type would increase an already lengthy questionnaire, so in most cases a single question was asked, forcing the respondent to integrate the various types to contracts. Moreover, in large agencies, goods, services and studies may be administered by different staff members. It is doubtful that it would be successful to ask respondents to pass the questionnaire around. The result is that the answers are heavily dependent on the position held by the respondent.

1.6 INTERPRETING THE RESULTS

The purpose of numbers resulting from most data collection and analysis is to provide insight to decision-makers. Numbers reported without indications of their validity in representing the populations they purport to represent can mislead. Therefore, where appropriate, the consultants have provided statements about the level of significance with which two sets of outcomes differ or not. Significance is a precise statistical concept. Liberties are occasionally taken with the rigors of statistics in the interest of insight and understanding.

Results are reported in terms of the means of answers and the percentages of agencies responding with each of the answers. In each section of the report, the results are reported as "findings" when they can be stated in objective terms. The term "comments" is used for interpretations of the findings. Chapter 2 contains a summary of the findings as well as conclusions and recommendations, the latter two providing the consultants' interpretations of the findings.

In order to aid the interpretation of the numbers collected during the survey, an indication of how strongly they support what are reported as "findings" is provided. A measure of the confidence in the findings is provided in several ways which all rely on the statistical concept of significance. The reader who is not familiar with significance is referred to any statistics book. Significance addresses the issue called "sampling error," the probability that the observed data do not represent the entire population. Significance is a measure of how good the sample is.

Significance is reported as a number and is interpreted as the probability that the observed result would be said to be true when it is not. If two sets of responses are said to be significantly different at a significance level of 0.05, there is a 0.05 probability of accepting the hypothesis that the two sets of responses are drawn from the same population when in fact they are not, i.e. that they are significantly different. In traditional statistics, significant results are considered to exist when the statistical significance is 0.10, 0.05 or 0.01 — the smaller the significance, the stronger is the assurance that what is purported is true. In this report when a result is statistically significant the word "significant" is used and it means the significance level is at least 0.10. Most often the actual level is cited. When a result is not significant, a maximum level of significance is sometimes reported. For example, it may be said that a result is not significant at 0.50 meaning that the significance is less than 0.50.

Significance is used in several situations. First, if two sampled numbers are to be compared, a t-test is the appropriate test for determining if the two sample means are equal. The t-statistic is a probability distribution which describes the frequency of values of the statistic defined as the difference of the means divided by the variance or a function of the variances. The particular test is the one for the case when the variances of the means are not assumed to be equal.

1.6 INTERPRETING THE RESULTS (Continued)

Second, the question of whether two different distributions of answers are different or not often arises. For example, it is often useful to know if small agencies feel differently about some aspect of contracting than do large agencies. In these cases the statistical test used to compare the distributions of answers is the chi-squared test.

Third, many of the answers are provided as choices on a four or five point scale. One answer, usually the middle one, is considered a neutral answer. For example, the question concerning the amount of contracting in the future is based on the following scale:

1-MUCH MORE 2-SOMEWHAT MORE 3-NO CHANGE 4-SOMEWHAT LESS 5-MUCH LESS.

The answer 3 is the neutral one. The desired analysis is whether the proportion of answers is shifted to the left, or more contracting, or to the right, or less contracting. This is determined by the one sided t-test which is the test to determine if a sample mean was drawn from a population with known mean, in this case the value of the neutral answer.

Although not a statistical issue, it is probably true that an agency has as many opinions as it has staff persons. Junior staff persons will report policy as they interpret it whereas general managers will report policy as they intend it. (A summary of the functions of the respondents is shown in Appendix D). The effect of the respondent on the answers varies by the three types of information sought. First, there are numerical records such as the number of vehicles and costs. These should be reported consistently no matter who in the agency reports them. The fact that these numbers are reported differently is an analytical problem. Second, there is descriptive data. This includes the description of procedures. While there are absolute descriptive truths, they are subject to such a wide variety of reporting discretion that they become opinions, which is the third type of information. Opinions will vary among the different possible respondents in a given agency. Ideally, one would seek opinions from the chief executive officer (or the policy board) and the more tediously reported numbers from whatever staff member is responsible for keeping them. This is not usually practical in a constrained study. It should be remembered that the opinions reported are only those of one person. When interpretations are made, it is well to consider which type of information is being considered.

2. SUMMARY OF FINDINGS AND RECOMMENDATIONS

2.1 MAJOR FINDINGS

The findings support the contention that contracting in California public transit is important, widespread and the provider agencies believe they need to enhance their contracting procedures in some areas.

- o The dollar amount spent on contracts as a percentage of total transit operating costs is significant, totaling over \$100 million and averaging 23% of operating costs for the 98 reporting agencies. Statewide, the State Controller's report indicates the dollar figure spent on all forms of contracting in transit is about \$160 million.[1] (Section 4.2.1)
- o Smaller agencies contract up to 79% of their operating costs, most of this amount being in a single contract for purchased transportation. Larger agencies reported lower levels of contracting at about 20% of their total operating costs. (Section 4.2.1)
- o There is a strong expressed need for help by transit operators especially in the two functions of monitoring and of evaluating contractors. Over 35% of responding agencies indicated they need more information on these two functions and over 50% indicated they thought their procedures in these areas could be improved. (Sections 4.3.1 and 4.3.2)
- o Purchased transportation contracts were reported by 76% of the responding agencies, the single most frequent type of contracting. Most of these contracts are, as referred to here, full-service contracts — those that include vehicle operators, vehicles, maintenance personnel and maintenance facilities. These comprise about 44% of purchased transportation contracts. In addition, 24% additional contracts call for all the full-service resources except the vehicles. (Sections 4.1.1 and 4.1.3)
- o Ten to 12% of the agencies reported contracts for legal services, fuel, communications equipment, and finance and accounting services — the second most frequent goods and resources found in contracts. Twenty-six additional goods and services are obtained by contract. (Section 4.1.1)

[1] Financial Transactions Concerning Transit Operations and Non-Transit Claimants Under the Transportation Development Act, Annual Report, 1984-85, State Controller, State of California

2.1 MAJOR FINDINGS

o The number of contracts reported were proportional to the size of the vehicle fleet. Agencies having fewer than ten vehicles reported an average of one and one-half contracts and those having over 100 vehicles reported an average of 55 contracts. (Section 4.2.3)

o The overriding reason given for contracting is to achieve cost savings. This is followed by a desire for flexibility or to obtain special skills, which are concerns for future costs. In spite of the expressed importance of cost saving, few agencies have documented those savings. (Section 4.1.4)

o Respondents expressed a very strong intent to do more contracting regardless of how much they did currently. The magnitude of this expression was largest for those contracting for 20% to 70% of their operating budget currently. (Section 4.2.6)

o During the course of the study, the reported contracting practice and opinions about contracting were correlated with several independent variables to ascertain if these variables helped to explain the observed differences. These variables included: size of agency in terms of number of vehicles; the type of service offered - fixed route, demand responsive, and taxi; the amount of contracting undertaken; and type of organization offering the service. Only vehicle fleet size was useful in the analysis.

Exhibit 2.1

MAJOR FINDINGS

- o CONTRACTING ACCOUNTS FOR A SIGNIFICANT AMOUNT OF OPERATING COSTS:
IN SMALL AGENCIES IT AVERAGES 79%, IN LARGE ONES, 21%
- o AGENCIES EXPRESSED A NEED FOR INFORMATION AND ENHANCED PROCEDURES
ESPECIALLY FOR MONITORING & EVALUATING CONTRACTORS
- o PURCHASED TRANSPORTATION IS MOST COMMON CONTRACT
- o LARGE AGENCIES HAVE A PROPORTIONATELY LARGER NUMBER OF CONTRACTS
THAN SMALL ONES - MANY SMALL AGENCIES HAVE A SINGLE CONTRACT
-- FOR PURCHASED TRANSPORTATION
- o COST SAVING IS THE DRIVING MOTIVATION FOR CONTRACTING
- o AGENCIES PLAN TO DO SOMEWHAT MORE CONTRACTING IN THE FUTURE
- o THE DIFFERENCES IN CONTRACTING PRACTICE ARE RELATED TO SIZE
OF AGENCY

2.2 CONCLUSIONS

The conclusions are interpretations of the findings by the consultants based on the data, the many telephone conversations held with the agencies, and other studies.

- o Contracting is an important management tool that warrants activities to increase its use in California, enhance its effectiveness, and assure that transit sponsors and providers understand the best contracting practice.
- o There is great diversity in arrangements for offering transportation, especially between public institutions. Many large governmental bodies administer programs for smaller agencies, sometimes contracting the service to the private sector. The diversity is a result of tailoring to local conditions.
- o Simple prescriptions for success in contracting do not appear possible given the great diversity of offering organizations and their missions. Principles to guide contracting by public bodies do exist in the literature. No publication or educational program is known that has tailored these principals to treat contracting in transit comprehensively.
- o Due to the diversity of organizations and arrangements, further studies of contracting and the development of technical assistance programs should explore a variety of contract types and practices to allow the pragmatic tailoring to local conditions that are typical of California public transit.
- o The respondents' expression of need for information on contracting and their belief that their procedures can be improved can be supported by several additional observations made in the course of the study. First, many of the persons managing or coordinating transit are not trained in contracting. They come from a wide variety of disciplines. Second, there is a good deal of turnover among this staff who, in the smaller agencies, tend to be in the beginning stages of their careers. Finally, the smaller agencies cannot justify retaining the variety of staff necessary to supply the full range of contracting know-how.
- o The heavy use of purchased transportation by smaller agencies with all their service in one contract provides a limited amount of flexibility. Sometimes these are arrangements resulting from expediency rather than thoughtful selection of a provider, especially when the contractor is a public provider.
- o There is a need for a common vocabulary concerning contracting. The categorizations in the literature allow some confusion and ambiguities.
- o The heavy use of purchased transportation by smaller agencies may be a model for the separation of transit sponsors -- those who fund, set policy and plan transit -- from providers who manage the day to day operations. Such a separation is occurring in some major transit cities in the U.S. and may be the beginning of a trend. If so, service contracting will become more important in the future.

2.2 CONCLUSIONS

Exhibit 2.2 STUDY CONCLUSIONS

- o CONTRACTING IS AN IMPORTANT AND SIGNIFICANT MANAGEMENT TOOL
- o THERE IS GREAT DIVERSITY IN ARRANGEMENTS AMONG INSTITUTIONS FOR OFFERING TRANSPORTATION
- o THE DIVERSITY OF ARRANGEMENTS SHOULD BE ACCOMMODATED IN THE DESIGN OF TECHNICAL ASSISTANCE PROGRAMS
- o SOME ARRANGEMENTS RESULT FROM EXPEDIENCY RATHER THAN ANALYSIS
- o BASIC CONTRACTUAL DEFINITIONS AND CATEGORIZATIONS ARE NEEDED
- o PURCHASED TRANSPORTATION ARRANGEMENTS MAY BE A MODEL FOR FUTURE ARRANGEMENTS

2.3 RECOMMENDATIONS

Programs for helping public transit agencies enhance their capability to perform all functions necessary to successful contracting are recommended.

- o The evidence from this study indicates that transit agencies could benefit from technical assistance and that a study on specific forms of assistance is warranted and is recommended.
- o Contacts among peers in transit have been observed as an important means of obtaining information on contracting. Such contact would be facilitated by an adequate directory of public transit operators. A publication similar to the Trans Guide of the computerized Public Transit Profiles previously developed by the Division of Mass Transportation of the California Department of Transportation would seem to be useful to both operators and researchers.
- o Other means of facilitating peer-to-peer advice on contracting should be explored. A model for such a program existed in the Public Transportation Network [1] developed by UMTA which in turn was patterned after a program developed by the U.S. Office of Education. The challenge is to develop informative programs which are not so rigidly institutionalized that they lose their responsiveness and credibility with participating agencies.
- o To provide better information on the extent of contracting and on the costs of transit, there are a number of refinements and additions that could be made to the information published in the State Controller's annual report of the claims made under the Transportation Development Act. [2]
- o Models for monitoring and evaluating contractor performance should be developed with emphasis on low-cost methods practical for small operations.
- o A handbook on contracting containing practical materials such as model contracts would be useful if developed.

2.3 RECOMMENDATIONS

Exhibit 2.3 RECOMMENDATIONS FROM THE STUDY

- o AGENCIES COULD BENEFIT FROM TECHNICAL ASSISTANCE IN CONTRACTING
- o MEANS OF FACILITATING CONTACT AMONG PEERS SHOULD BE INVESTIGATED
- o MODELS OF PEER-TO-PEER TECHNICAL ASSISTANCE PROGRAMS SHOULD BE INVESTIGATED
- o ADDITIONS AND REFINEMENT TO STATE CONTROLLER'S INFORMATION WOULD BE USEFUL
- o METHODS FOR MONITORING AND EVALUATING CONTRACTOR PERFORMANCE ARE NEEDED
- o A HANDBOOK ON CONTRACTING PRACTICE WOULD BE USEFUL

[1] The UMTA program has been renamed the Public and Private Transportation Network. Under its new name it has not yet started to operate so it is not known if the same principles of peer-to-peer assistance are to be included.

[2] Op. cit.

3. INSTITUTIONAL ARRANGEMENTS FOR OFFERING PUBLIC TRANSIT

This chapter describes the richness of variety of the public transit industry in California, integrating information gathered during this study and other information. It is included both to aid understanding of the results of the study and as a broader summary of the findings of the study.

3.1 ORGANIZATIONS

There are three functions required to offer public transit. The first is the responsibility for initiating and taking the financial and market risks of offering transit service in the transportation market. Organizations undertaking this function are called "sponsors." The second function is day-to-day management of an organization to provide transit. Organizations performing this function are called "providers" or "operators." Originally, the roles of both sponsors and providers were performed by the entrepreneurs who raised and risked the capital and managed a transit system. When privately owned transit was purchased by the public sector to save the service, the government assumed the role of the sponsor and most often of provider as well.

The current model of public transit includes a public sponsor who claims tax supported funding from federal, state and local sources and either provides the service itself or uses the funds (or relinquishes its claim to them) in order to contract for service from a wide variety of providers, some public and some private, under a wide variety of service delivery arrangements. Whether the sponsor operates or contracts for service, essentially all of the goods and many of the services needed to provide transit are supplied by the private sector. Suppliers are those who sell the goods and services to providers. They are distinguished herein from the companies who contract to operate transit service, who are considered providers.

3.1.1 Sponsors

For the purposes of this study, the following five sponsors are considered: cities, counties, transit districts, certain private not-for-profit organizations, and joint power agencies. Any of these sponsors may also be providers.

Cities and counties are general purpose governmental entities who offer transportation as one of the many incidental and discretionary services they offer their constituents. While they have a political, if not legal, obligation to offer land use regulation and public safety services, they can choose whether or not to offer transportation.

Transit districts are empowered by the legislature as special limited function governmental bodies. Transit districts are typically separate organizations with several notable exceptions which have ties to cities or counties as in San Francisco, Santa Clara and Napa counties.

Private not-for-profit agencies or social service agencies are often both sponsors and providers of transportation services to their own clients in support of their own programs which are the primary reason for their existence. Since they offer transportation, they have been naturally drawn into agreements with other sponsors to provide transportation services for the elderly and handicapped, a market which is usually considered public transit. As a result of state legislation in 1979 (AB 120), some of these agencies were designated by the appropriate Regional Transportation Planning Agencies (RPTAs) as Consolidated Transportation Service Agencies authorized to claim Transportation Development Act (TDA) funds and provide community transit. The intent was for CTSAs to provide a mechanism to consolidate the myriad of social service transportation offered by a variety of organizations. CTSAs include organizations having a non-transportation main mission, such as the Red Cross in San Diego, organizations having only a transportation mission, such as Paratransit, Inc. in Sacramento, and city and county based organizations as in Fresno and Santa Clara counties.

Often potential providers agree to a special form of agency contract among governmental bodies in California called a Joint Powers Agreement. A JPA can be administered by an existing governmental body or it may create a new and independent bureaucracy. It can be, then, both an institution and an arrangement for offering transportation of the type to be described in the next section.

3.1.2 Providers or Operators

All of the sponsors discussed above serve as providers in California. In addition, providers include social service agencies and other private not-for-profit organizations such as service clubs, housing organizations, and a variety of private for-profit organizations offering a variety of transit resources.

The private providers range from those who provide a turn-key transit operation to those who provide packages containing various combinations of the resources necessary to provide transit such as managers, drivers, vehicles, maintenance personnel and facilities. Taxicab operators are commonly used providers under various arrangements explored in the next section. Exactly how much has to be provided to be called a private transit provider is not well defined but it usually includes operators and maintenance personnel and facilities.

3.1.3 Suppliers

Suppliers of the goods and services that are not unique to transportation are usually thought to be private companies but they may also be provided by the public organizations. While goods such as fuel and tires will always originate in the private sector, such goods may be provided to transit operators through public organizations who sponsor or administer transit operations for other sponsors. For example, a city may sponsor transit through a social service agency. It may agree to provide fuel, maintenance and storage for the agency to be billed back to the agency. The degree to which these arrangements are made explicitly in contracts varies, a condition which makes it difficult to obtain firm numbers on the extent of contracting in California as this study attempted to do.

3. INSTITUTIONAL ARRANGEMENTS FOR OFFERING PUBLIC TRANSIT

3.2 ARRANGEMENTS FOR SERVICE PROVISION

The discussion of arrangements tends to focus on purchased transportation because it comprises the bulk of contracting found in California transit. These contracts are also unique to transit whereas other types of contracting in transit are similar to contracting in many industries.

3.2.1 Combined Sponsor/Provider

The model created during the period of take-over of private transit by public organizations is the public body as sponsor and provider. The policy boards of these organizations set public policy in regard to transit, plan the expansion of these systems, seek and allocate new funding, and are responsible for the management of the services, typically through a chief executive officer that they select. In a time of adequate resources, and without the pressures of private ownership and attention to a profit motivation, this model gives agencies great freedom to use or not use contracting. Indeed, there are examples of public agencies who considered entry into transit related businesses such as the design and manufacturing of wheelchair lift equipment.

The model has two options. The first is the specially chartered public transit agency with its own elected, appointed or combined policy board. The second is the general purpose governmental body which incidentally provides transit. In the latter case, it is difficult to cost the transit function as goods and services are sold between the governmental operations and the transit operations on terms that may have more to do with which entity has the resources than with the economic value or cost. In cases where dedicated transit funds are available, the governmental side may find ways to use those funds for other functions. In cases when transit funds are limited, as is the case of TDA Community Transportation funds (the so-called Article 4.5 funds), cities may subsidize transit with in kind services.

3.2.2 Private Provider

If the sponsor is not the sole provider of transit, it is free to consider arms-length, competitive selection of all the various goods and services required to provide transit. This is the case with much of transportation in California and it has resulted in a wide variety of arrangements.

One category of arrangement provides for a fleet of vehicles dedicated to the provision of public transit. Either the sponsor or the provider may own the fleet. Typically, the provider supplies the operators, the maintenance personnel, the facilities and administrative services. Many other arrangements exist with private contractors, some providing only operators, others both operators and maintenance personnel, and virtually all conceivable combinations. There are a number of nationwide organizations providing transit services as well as local operators of school bus service, ambulance service, tour bus service, intercity bus service and the like. In addition, there are a number of cases where local residents started operations specifically to

contract to provide services. This happens primarily in more rural areas where there are no local services and the operation is too small to attract outsiders.

Another category of arrangements includes contracts with taxi operators which have two versions. The first is the user-side subsidy taxi which is typically, but not always, an elderly and handicapped service. The operator is usually paid on a per-ride basis. These are common agreements for smaller sponsors such as cities. They are easily started if there is one or more local taxi operator and they can be terminated or expanded more easily than services offered in-house. These are often exclusive ride taxi services although some systems are based on shared-ride service for the general public. Taxi operators may also provide dedicated fleet service for which they are reimbursed on a service hour-provided basis. In this type of arrangement they may provide the vehicles or they may use the sponsor's vehicles. Some user-side subsidy systems will provide the taxi operator with lift-equipped vehicles to accommodate handicapped users.

3.2.3 Public Arrangements

There are numerous arrangements between public sponsors and other public organizations who provide transit service for that sponsor. These may be illustrated by considering the options that a city or county has for sponsoring transit. If the city or county is in or contiguous to an existing transit district, they may contract with or join that transit district. Both options exist for some jurisdictions in California. As members of a transit district, jurisdictions have a voice on the policy board, but they may have little control over the service to their constituents. If they contract with a transit district, they typically receive a take it or leave it price, but they may negotiate the level of service.

If the transit district is not an option, a city or county may consider the many social service transit agencies that operate in most urban and, to a much lesser degree, in rural areas. Arrangements exist with many different types of social service agencies including those providing housing, outreach and escort services, health services, nutrition programs, disabled training programs, and the like.

The use of a public provider by a public sponsor is sometimes a default choice selected because it is expedient and not one based on arms length negotiation. In these cases, the arrangement may not be as advantageous as could be achieved by the sponsor if competitive pressures existed.

In many instances, several public sponsors have the legal right to claim Article 4.5 TDA funds to serve the same market. Many cities waive the right to claim and the funds are claimed by other providers most often by unwritten consent or under the auspices of the RTPA.

3.2.4 Private Suppliers

The arrangements whereby providers obtain the variety of goods and services necessary to provide transit from the private sector in the open markets that exist are similar to arrangements whereby any buyer obtains these goods and services.

4. FINDINGS

4.1 SCOPE OF CONTRACTING

4.1.1 Goods and Services Contracted

The questionnaire listed over 30 goods and services that transit agencies obtain by contracting with private companies. The list was organized in five major categories - management, revenue service, revenue vehicle maintenance, non-vehicle maintenance, and administrative services.

Finding: Seventy-six of the 98 responding agencies (78%) report the use of some type of contract for transit operations (Exhibit 4.9). It is difficult to imagine that any organization operates without any contracts of the type to be explored in this study. It is assumed that agencies, especially the smaller ones to which transportation services are an incidental offering, do not treat their transportation services as well defined cost centers. Rather, they obtain many of their goods or services by piggybacking on activities in the rest of the organization. In addition, a purchase of an off-the-shelf item, while technically a contract, is not usually perceived as one. It is probable that a contract is viewed as a document with a time frame for more than one transaction.

Finding: The number of functions reported as being contracted is proportional to the size of the vehicle fleet (Exhibit 4.1). Larger agencies report more contracts than smaller agencies. This is likely due to the relative complexity of different sizes of systems. When small systems are contracted out, it is typical for a single contractor to perform all functions. In addition, many of the non-operating functions performed are such small scale that they are not considered as separate activities of the transportation program. In larger systems, the service provision process is more complex, involves more separable functions, and agencies have the option to contract for functions separately.

Finding: Purchased transportation is by far the most frequently contracted function. The next most frequently reported contracts are for legal services, fuel, communication equipment lease, and finance and accounting services.

Finding: The functions contracted probably differ by the size of the agency, but the amount of data reported does not permit verification of this finding. The data indicate (see Exhibit 4.1) that agencies having more than 25 vehicles contract for such functions as tire leasing, security services, and benefits administration, functions not reported by the smaller agencies. It is uncertain whether such services are simply not relevant to the smaller agencies, or whether they are provided as part of the service package or so well integrated into the sponsoring agency as not to be perceived as separate.

Finding: Thirty-one categories of goods and services, of the 33 listed on the questionnaire, were reported as having some contract activity.

4. FINDINGS
 4.1 SCOPE OF CONTRACTING
 4.1.1 Goods and Services Contracted

Exhibit 4.1
 NUMBER OF AGENCIES CONTRACTING FOR VARIOUS GOODS AND SERVICES[1]

	Vehicle Fleet Size						Grt 500	Total
	0 to 9	10 to 24	25 to 49	50 to 99	100 to 249	250 to 499		
REVENUE SERVICE								
Purchased transport.	49	13	5	3	2	2	1	74
Fuel	3		1	3	1	1	2	11
Ticket sales		1	1			1		3
Fare counting		1				1		2
Vehicle lease		1					1	2
Equipment lease		2						2
REVENUE VEHICLE MAINTENANCE								
Packaged services	1	2		1		1	1	6
Major overhaul	1	1		2			1	5
Minor overhaul/service	2	3		1	1		1	8
Body work/upholstery		3			1		1	5
Servicing/cleaning	2						1	3
Tire leasing				3	1	1	2	7
Road call/towing	1	2	1		1		1	6
NON-VEHICLE MAINTENANCE								
Packaged services							1	1
Building/grounds/waste	1		1	2	2	1	2	9
Bus stop cleaning/repair		2	1	1		1		5
Communications equipment	2	4	1	1	1		2	11
Roadway/parking		1	1				1	3
ADMINISTRATIVE SERVICES								
Packaged services	3	1				1	2	7
Safety/security			1		2	1	1	5
Marketing/advertising	1	2		2	1		2	8
Benefits administration					1	1	1	3
Legal services	2	2	1	3	1	1	2	12
Finance/accounting	3				2	2	1	10
D.P./secretarial	2			1	1		2	6
Property management							1	1
Risk management	1					1	2	4
Communications				1	1		2	6
Facilities	1	1		1	1		2	6
Office equipment	1			1	2		2	6
Non-revenue vehicle					2			2

[1] Ninety-eight reporting agencies.

4. FINDINGS
4.1 SCOPE OF CONTRACTING
4.1.2 Purchased Transportation

Purchased transport, defined as packages of transportation services obtained through contract by a sponsor from another provider, is a special category of service contracting which is highlighted separately here because it comprises the single largest category of contracting.

Finding: Seventy-four of 98 agencies, 75% of responding agencies, purchased some transportation from other providers. Most agencies purchase service from private providers although some obtain service from other public and private not-for-profit providers.

Finding: Although agencies of all sizes contract for purchased transportation, small agencies are more likely to contract for this service than are the large ones. In addition, the small agencies are more likely to purchase all their transportation (see Exhibit 4.2). Seventy-seven percent of agencies having fewer than nine vehicles purchase transportation while this percentage is 71% for fleets over ten and 66% for fleets over 25 vehicles. These differences would probably be larger if a more adequate response had been received from the larger agencies. Many of the non-respondents among the large agencies are known not to contract for purchased transportation.

Finding: Large providers, such as counties, are commonly contractors providing purchased transportation for several cities.

4. FINDINGS
 4.1 SCOPE OF CONTRACTING
 4.1.2 Purchased Transportation

Exhibit 4.2
 NUMBER OF AGENCIES PURCHASING TRANSPORTATION [1]

ORGANIZATIONS	VEHICLE FLEET SIZE					Total
	0-9	10-24	25-49	50-99	Gtr 100	
Cities	29/43	4/7	2/3	1/1	0/1	36/55
Counties	9/9	5/5	2/2	-	-	16/16
Transit Districts	1/1	2/2	-	0/1	4/5	7/9
Not-for-Profit Org.....	4/4	1/1	1/1	1/1	-	7/7
Joint Powers Agencies .	6/6	1/2	0/1	1/2	-	8/11
Total	49/63	13/17	5/7	3/5	4/6	74/98

[1] In the entries a/b, a is the number of agencies having purchased transportation contracts, and b is the total number of agencies responding.

4. FINDINGS

4.1 SCOPE OF CONTRACTING

4.1.3 Content of Purchased Transportation Contracts

Purchased transportation contracts vary according to the type of personnel and equipment they require of the contractor. The frequency with which the various resources are provided in contracts is shown in Exhibit 4.3. The most common combinations are shown in Exhibit 4.4.

Finding: Vehicle operators are the most common service or good obtained by contract followed in frequency by maintenance personnel and maintenance facilities.

Finding: Public agency sponsors of contracted revenue services are most likely to provide vehicles, administrative facilities, and marketing for the systems. These resources are the least commonly provided by the contractor.

Finding: There is no significant difference (less than .25 significance) among agencies of different sizes in the type of resources obtained through purchased transportation contracts if marketing is excluded. Marketing is reported as being included in over 40% of the contracts of smaller agencies but only 19% (11 of 57) of the contracts in agencies having more than 25 vehicles. To understand whether substantive marketing is really included in a contract, it would be necessary to investigate whether there is an incentive to do marketing or a requirement that so much be spent on marketing. Otherwise, the statement that marketing is provided by the contractor may be wishful thinking.

Finding: Fifty-four percent of all contracts require the contractor to provide the vehicles for the service. Significantly more small agencies require the contractor to provide vehicles, with 70% of the agencies with nine or fewer vehicles in service imposing this requirement compared to 38% (22 of 57) of the agencies with 25 or more vehicles. It is likely that the decision as to which entity will provide vehicles is affected by the economic implications for the contractor (many could not obtain financing to provide a large number of vehicles) as well as policy preferences about type of vehicle and vehicle quality. Additionally, some sources of capital funding are available only to public owners of vehicles.

Finding: The most frequently reported purchased transportation contract includes the provision of vehicle operators, vehicles, maintenance personnel, vehicle storage facilities, maintenance facilities, administrative facilities and marketing. If marketing is excluded, on the grounds that it is probably provided by the public agency or not at all, and if administrative facilities are likewise excluded as the term is somewhat ambiguous, the "full service" package specified above is purchased in 44% (64 of 146) of all contract cases.

Finding: Full service purchased transportation packages which exclude vehicle provision represent an additional 25% (37 of 146) of all contracts.

4. FINDINGS

4.1 SCOPE OF CONTRACTING

4.1.3 Content of Purchased Transportation Contracts

Exhibit 4.3
 FREQUENCY OF RESOURCES
 INCLUDED IN PURCHASED TRANSPORTATION CONTRACTS
 (Number of contracts)

	0-9	10-24	25-49	50-99	Gtr 100	Total Contracts
Contractor provides:						
Vehicle Operators	58	31	28	14	15	146
Vehicles	41	15	7	12	4	79
Maintenance Personnel	41	24	26	13	14	118
Vehicle Storage	37	16	26	12	14	105
Maintenance Facilities	41	20	25	12	14	112
Administrative Facilities	38	10	12	12	14	86
Marketing	25	7	0	10	1	43
Total Contracts	58	31	28	14	15	146

Exhibit 4.4
 FREQUENCY OF COMBINATIONS OF RESOURCES
 IN PURCHASED TRANSPORTATION CONTRACTS
 (Number of contracts)

Contractor provides:	Contract Type[1]								
	[2]	[2]					[2]		
Vehicle Operators	X	X	X	X	X	X	X	X	X
Vehicles	X	X	-	-	-	-	X	X	X
Maintenance Personnel	X	X	X	X	-	X	X	X	-
Vehicle Storage	X	X	X	X	-	-	X	-	-
Maintenance Facilities	X	X	X	X	-	-	X	X	-
Administrative Facilities	X	X	X	-	-	-	-	-	-
Marketing	X	-	-	-	-	-	-	-	-
Total Contracts[3]	31	26	19	18	13	7	7	6	4
0 to 9	14	12	3	1	5	1	4	2	4
10 to 24	7	3	-	5	7	4	1	4	-
25 to 49	-	6	6	12	1	1	1	-	-
50 to 99	10	2	-	-	-	1	-	-	-
Greater than 100	-	3	10	-	-	-	1	-	-

[1] An X indicates the resource is included in the contract; a dash (-) indicates it is not included.

[2] Indicates the contracts called "full-service" contracts.

[3] This line totals 131 contracts; other forms of contracts not shown were cited only one or two times.

4. FINDINGS
4.1 SCOPE OF CONTRACTING
4.1.4 Reasons for Contracting

The respondents were asked to select one or more reasons for contracting for each of the major categories of goods and services with the question: "Why is contracting used?" (Question 16)

- | | |
|--------------------------|---------------------------|
| 1-NO OPTION | 4-SPECIAL EQUIPMENT |
| 2-COST SAVING | 5-FLEXIBLE POLICY, SKILLS |
| 3-SATISFY FUNDING SOURCE | |
-

Finding: The most frequently cited reason for contracting is "cost saving", followed by the response "flexible policy, skills" which is the ability to obtain necessary skills without a long term commitment to them (Exhibit 4.5). Flexibility is really the ability to control future costs and is therefore a cost saving category as well. The next reason is "only option", which is also a cost item since there is always a non-contracting option at some price. The vast majority of reasons for contracting thus relate, directly or indirectly, to the ability to keep costs low.

REVENUE SERVICE

Finding: The smallest agencies are more likely to view contracting as their only option than agencies of ten or more vehicles (Exhibit 4.6). Telephone interviews revealed that in some small cities offering the service with in-house personnel is not an acceptable policy option. If one were to probe into the reason for this policy, however, it is likely that it reflects an emphasis on cost savings and maintaining flexibility.

MAINTENANCE

Finding: Cost saving is the reason for contracting most frequently cited for maintenance contracting — more frequent than as a reason for revenue vehicle service contracting (Exhibit 4.5). This is largely due to the fact that agencies which contract for the revenue service often stated that it was done to maintain flexibility, whereas only one agency stated this for maintenance contracting. Presumably, agencies which contract only for maintenance do not view this as a flexible strategy, since they have already circumscribed their flexibility by operating the revenue service in-house. (The contracts listed for maintenance are those which are not combined with revenue service.) Thus, it is viewed purely as a cost saving strategy.

Finding: Non-vehicle maintenance is essentially driven by cost considerations as eight of the nine agencies reporting contracts in this category cited cost as the reason for contracting.

ADMINISTRATIVE SERVICES

Finding: The reasons for contracting administrative services are significantly different than the reasons given for other contracting (answers are different

4. FINDINGS
 4.1 SCOPE OF CONTRACTING
 4.1.4 Reasons for Contracting

with a 0.01 significance). This is the sole category in which cost is not the only driving motivation. Rather, the "only option" and "flexibility" responses are cited as the main reasons for contracting. This might be because many of the administrative services contracted are for temporary services or small amounts that do not warrant developing a full-time capability. In the case of some contracts, and especially intergovernmental arrangements, agencies may only have the option of obtaining administrative support from a single source. The "special equipment" is a factor here as well.

Exhibit 4.5
 RANKING OF REASONS FOR CONTRACTING BY SERVICE TYPE
 (Percentage of responding agencies - more than one possible)

REVENUE SERVICE (65 agencies)	18%	69%	8%	5%	43%
REVENUE VEHICLE MAINTENANCE (23 agencies)	6%	42%	9%	12%	21%
NON-VEHICLE MAINTENANCE (9 agencies)	17%	67%	8%	8%	0%
ADMINISTRATIVE SERVICES (13 agencies)	24%	33%	14%	19%	33%
	ONLY OPTION	COST SAVING	SATISFY FUNDING SOURCES	SPECIAL EQUIPMENT	FLEXIBLE POLICY, SKILLS

Exhibit 4.6
 RANKING OF CONTRACTING REASONS BY FLEET SIZE[1]
 (Percentage of responding agencies - more than one reason possible)

0 to 9 vehicles (39 agencies)	28%	64%	8%	13%	36%
Greater than 10 vehicles [2] (26 agencies)	4%	77%	8%	0%	54%
	ONLY OPTION	COST SAVING	SATISFY FUNDING SOURCES	SPECIAL EQUIPMENT	FLEXIBLE POLICY, SKILLS

- [1] Responses by the two fleet sizes shown differ significantly at 0.05 level.
 [2] There is no significant difference in the reasons for contracting among the agencies having more than nine vehicles.

4. FINDINGS
4.2 QUANTITY OF CONTRACTING
4.2.1 Magnitude of Contracted Costs

Respondents were asked to provide the dollar amount of contracting in five functional categories and over 30 sub-categories (Questions 8 to 12). The amount of contracting is measured by the absolute dollar amount and the percentage of operating costs comprised by contracting.

Finding: Twenty-three percent of the operating costs of the 98 reporting agencies were identified as contracted expenditures (Exhibit 4.7). The dollar amount of contracting totalled \$102 million.[1]

Finding: Smaller agencies contract for proportionately more of their operational costs than do larger ones. For agencies having fleets less than ten vehicles, 79% of their operating costs are consumed in contracts (Exhibit 4.7). The contracted amount drops to 56% for fleets of 10 to 24 vehicles and to 37% for fleets of 24 to 49 vehicles. (These differences are statistically significant at .05 level.) This finding reflects the fact that for small systems that do contract, nearly 100% of their operating costs represent contracted service procurement, whereas larger systems contract less frequently and often contract for only a portion of their services and goods.

Finding: Fleets having more than 50 vehicles contract for 19% of their operating expenditures. The differences in percentage of contracting among the four subcategories of fleet size in this group are not meaningful due to the small sample sizes and the underreporting bias which characterizes the larger agencies in the sample.

[1] This compares to \$160 million reported by TDA claimants for fiscal year 1984-85; TDA claimants are estimated to represent 80% of all providers in California. The study sample probably includes about 40% of all providers. Respondents were given a choice of reporting FY 1985 or FY 1986 data, so the reported data is mixed. Total funds available in the two years did not differ a good deal due to sluggish taxable retail sales in FY 1986.

4. FINDINGS
 4.2 QUANTITY OF CONTRACTING
 4.2.1 Magnitude of Contracted Costs

Exhibit 4.7
 PERCENTAGE OF OPERATING COSTS CONTRACTED
 (98 responding agencies)

	Vehicle Fleet Size						
	0 to 9	10 to 24	25 to 49	50 to 99	100 to 249	250 to 499 [1]	Grt 500
Percent in each vehicle category	79%	56%	37%	12%	14%	37%	18%
Percent for all fleets	23%	----->					
Percent for fleets greater 9 vehicles	-	21%	----->				
Percent for fleets greater 25 vehicles	-	-	20%	----->			
Percent for fleets greater 50 vehicles	-	-	-	19%	----->		
Percent for fleets greater 100 vehicles	-	-	-	-	20%	----->	
Percent for fleets greater 250 vehicles	-	-	-	-	-	21%	----->
Percent for fleets 0 to 24 vehicles	68%	----->	-	-	-	-	-

[1] The high percentage of contracting in this class relative to the lower and higher fleet sizes is neither sampling error or bias. There are a small number of agencies in the three largest fleet size categories and a difference in practice in one can greatly influence the averages. In this class there are two reporting agencies; one of them is an agency which contracts for over half of their operating costs, an unusually high level of contracting for an agency of their size due in large part to heavy use of purchased transportation.

4. FINDINGS

4.2 QUANTITY OF CONTRACTING

4.2.2 Magnitude of Purchased Service Transportation Costs

Respondents were asked to identify the dollar amount of their purchased transportation contracts (Questions 8 to 12). Purchased transportation accounts for most of the contract volume in dollars.

Finding: Fifteen percent (15%) of all operating expenses reported are spent on purchased transportation (Exhibit 4.8).[1] This accounts for about two-thirds of all contracted expenses reported by the respondents.

Finding: Purchased transportation is by far the dominant expenditure on contracting for the smallest agencies. Moreover, 75% of the small agencies that do any contracting purchase transportation.

Finding: Many smaller agencies that claim TDA funds for transit, especially cities, contract for all their transit service. These claimants treat the administrative expenses of planning and monitoring the service in various ways. Some charge salary and benefit costs to their TDA account. Others make no such charges and some claimants report as contract expenditures all of the amounts they claim. These agencies are presumably subsidizing transit from other income. On the other hand, there are probably cases when agencies use transportation funds to cover the costs of other activities if only by providing a larger base for overhead costs.

[1] TDA reports 4.5% of operating expenses in "purchased transportation" and 5.6% in "services" which suggests that the data here is biased toward agencies who contract for purchased transportation. It is difficult to be certain, however, because the TDA data does not include all transit providers in the state and specifically does not include many who contract all their revenue service. Moreover, the TDA data reports some "purchased transportation" as "services."

4. FINDINGS
 4.2 QUANTITY OF CONTRACTING
 4.2.2 Magnitude of Purchased Transportation Costs

Exhibit 4.8

PERCENTAGE OF OPERATING COSTS
 IN PURCHASED TRANSPORTATION CONTRACTS

	Vehicle Fleet Size						
	0 to 9	10 to 24	25 to 49	50 to 99	100 to 249	250 to 499	Grt 500
Percent in each vehicle category (all contracts) [2]	77% (79%)	50% (56%)	36% (37%)	5% (12%)	11% (14%)	24% ^[3] (37%)	9% (18%)
Percent for all fleets (all contracts)	15% (23%)	----->					
Percent for fleets greater 9 vehicles (all contracts)	-	13% (21%)	----->				
Percent for fleets greater 25 vehicles (all contracts)	-	-	12% (20%)	----->			
Percent for fleets greater 50 vehicles (all contracts)	-	-	-	11% (19%)	----->		
Percent for fleets greater 100 vehicles (all contracts)	-	-	-	-	11% (20%)	----->	
Percent for fleets greater 250 vehicles (all contracts)	-	-	-	-	-	11% (21%)	----->
Percent for fleets 0 to 24 vehicles (all contracts)	64% (68%)	----->	-	-	-	-	-

[2] The numbers in parenthesis are the percentages of all operating costs contracted; they are the same percentages contained in Exhibit 4.7 repeated here to facilitate comparisons.

[3] See the footnote in Exhibit 4.7.

4. FINDINGS
4.2. QUANTITY OF CONTRACTING
4.2.3 Number of Contracts

Respondents were asked to identify the number of their contracts in each of the more than 30 categories of goods and services (Questions 8 to 12).

Finding: Five hundred and seventy-eight operating contracts (578) were reported for all goods and services by all agencies. Of this total, 155 contracts were for purchased transportation and the remainder were for the other operating services (see Exhibit 4.9).

Finding: The number of contracts reported were directly proportional to the size of the agency's fleet.[1] Agencies with less than ten vehicles averaged about one and one-half contracts over all agencies (an average of one and a quarter among those having contracts). Many of these small agencies rely on only one contract for all their transportation. Fleets of from 10 to 25 averaged about 4.7 contracts and those of 25 to 49 averaged nearly seven contracts. The two largest agencies having over 500 vehicles reported a total of 257 contracts or 128 per agency.

Finding: The difference in number of contracts by agency size appears to be a function of organizational complexity. Small agencies typically contract for a purchased transportation service which involves a packaging of functions. Their systems are not large enough to split up functions which would permit contracting for more discrete types of goods or services. The larger systems, in contrast, can contract for a variety of small functions precisely because they are large. Many of the contracts they let are for administrative type services which individually amount to a very small portion of the total agency budget.

[1] As was explained in the footnote in Exhibit 4.7, this fleet size category breaks the trends of its neighboring fleet size categories in number of contracts because it consists of only two agencies each of is different in some way. In this case the second agency in this category reported relatively few contracts of any type.

4. FINDINGS
 4.2. QUANTITY OF CONTRACTING
 4.2.3 Number of Contracts

Exhibit 4.9
 NUMBER OF CONTRACTS BY CATEGORY OF GOODS AND SERVICES

	Vehicle Fleet Size						Grt 500	Total
	0 to 9	10 to 24	25 to 49	50 to 99	100 to 249	250 to 499		
Total agencies	63	17	7	5	2	2	2	98
Agencies having operating contracts	49	16	6	5	2	2	2	76
Agencies not reporting operating contracts	14	1	1	0	0	0	0	16
<hr/>								
Number of operating contracts:								
Management contracts	1	0	0	2	1	0	0	4
(Purchased transportation)[2]	62	34	29	14	6	3	7	155
Revenue service contracts [3]	63	39	33	16	8	6	23	188
Revenue vehicle maintenance	2	10	2	10	6	5	49	84
Non-vehicle maintenance	1	7	4	5	4	3	39	63
Administrative services	8	24	9	11	30	11	146	239
Total operating contracts	<u>74</u>	<u>80</u>	<u>48</u>	<u>44</u>	<u>49</u>	<u>25</u>	<u>257</u>	<u>578</u>
<hr/>								
Mean number operating contracts per agency (of agencies with contracts)	1.51	4.70	6.86	8.8	24.5	12.5 [1]	128.5	7.60
Study contracts	7	10	4	2	0	0	19	42

[2] These numbers differ from those describing the contents of purchased transportation contracts given in Exhibit 4.3 because some respondents who reported contracts did not answer the question describing them.

[3] Includes purchased transportation contracts, the category immediately above.

4. FINDINGS
4.2 QUANTITY OF CONTRACTING
4.2.4 Length of Contracts

Respondents were asked the length in months of their contracts in each of more than 30 categories of goods and services (Questions 8 to 12).

Finding: Contract terms range from two months to 120 months, although the extremes are defined by only one agency each (Exhibit 4.10).

Finding: The most frequently reported contract term is twelve months for all agencies and each category of good and service. About 60% of all contracts are 12 months in duration, and 20% of all contracts are 36 months in duration. This distribution does not vary significantly across the type of service contracted for.

Finding: The conventional wisdom is that contracts that require the contractor to provide the vehicles are more equitable written for longer terms to assure the contractor substantial recapture of the capital expended for vehicles. This relationship is not substantiated by the examination of these contracts compared to all contracts (Exhibit 4.11). Although the longest contracts call for the provision of vehicles, there are a substantial number of contracts with vehicles written for 12 months. Some of these may be taxi contracts that require dedicated vehicles. The data is too sparse to be definitive about this finding.

4. FINDINGS
 4.2 QUANTITY OF CONTRACTING
 4.2.4 Length of Contracts

Exhibit 4.10
 LENGTH OF CONTRACTS
 (By number of contracts)

	Months							Total
	Less than 10	12	24	36	48	60	120	
MANAGEMENT(4) [1]	0	1	0	1	1	0	0	3
PURCHASED TRANSPORTATION(68)[2]	(11)	(74)	(19)	(37)	0	(3)	(1)	(145)
REVENUE SERVICE(69)	12	92	19	40	0	3	1	167
REVENUE VEHICLE MAINTENANCE(16)	0	22	3	6	0	3	0	34
NON-VEHICLE MAINTENANCE(13)	0	30	2	2	2	0	0	36
ADMINISTRATIVE SERVICES(17)	2	66	2	4	0	1	1	76
TOTAL	14	211	26	53	3	7	2	316

Exhibit 4.11
 LENGTH OF PURCHASED TRANSPORTATION CONTRACTS
 PROVIDING CONTRACTORS VEHICLES

	Months						
	Less than 5	12	24	36	48	60	120
ALL CONTRACTS	11	74	19	37	0	3	1
CONTRACTS WITH CONTRACTORS VEHICLES	11	32	4	18	0	1	1

[1] The number in parentheses is the number of agencies reporting the length of contracts. Many agencies identified contracts without specifying their term so the number of agencies reporting terms is smaller than those reporting contracts in Exhibit 4.9.

[2] This count is included in "Revenue Service" immediately below.

4. FINDINGS
4.2 QUANTITY OF CONTRACTING
4.2.5 Future Contracting

Respondents were asked to answer the question (Question 20): "How much contracting are you planning in the future?" using the following scale:

- | | |
|-----------------|-----------------|
| 1-MUCH MORE | 4-SOMEWHAT LESS |
| 2-SOMEWHAT MORE | 5-MUCH LESS |
| 3-NO CHANGE | |

Finding: Although most agencies report that they expect "no change" in the level of their contracting in the future, significantly more agencies expect to do more contracting than to do less in the future.

Finding: Agencies with all levels of current contracting expect to do more contracting in the future (Exhibit 4.12). Even those contracting over 70% of their service currently indicated a statistically significant bias toward more contracting.[1] The average of answers from agencies in the middle range of contracting (20% to 70%) indicated the strongest intent to contract (average answers of 2.62).[2] The agencies doing the least contracting did not indicate a stronger intent to contract than the mid-level contractors, but their answers are significant in expressing an intent to increase contracting.[3]

Finding: Two of 86 agencies report plans to do "much more" contracting in the future.

Comment: The fact that more agencies expect to do more contracting than those that expect to do less suggests that contracting will grow. Because few agencies indicated they would do "much more," a dramatic upsurge in contract activity is not anticipated.

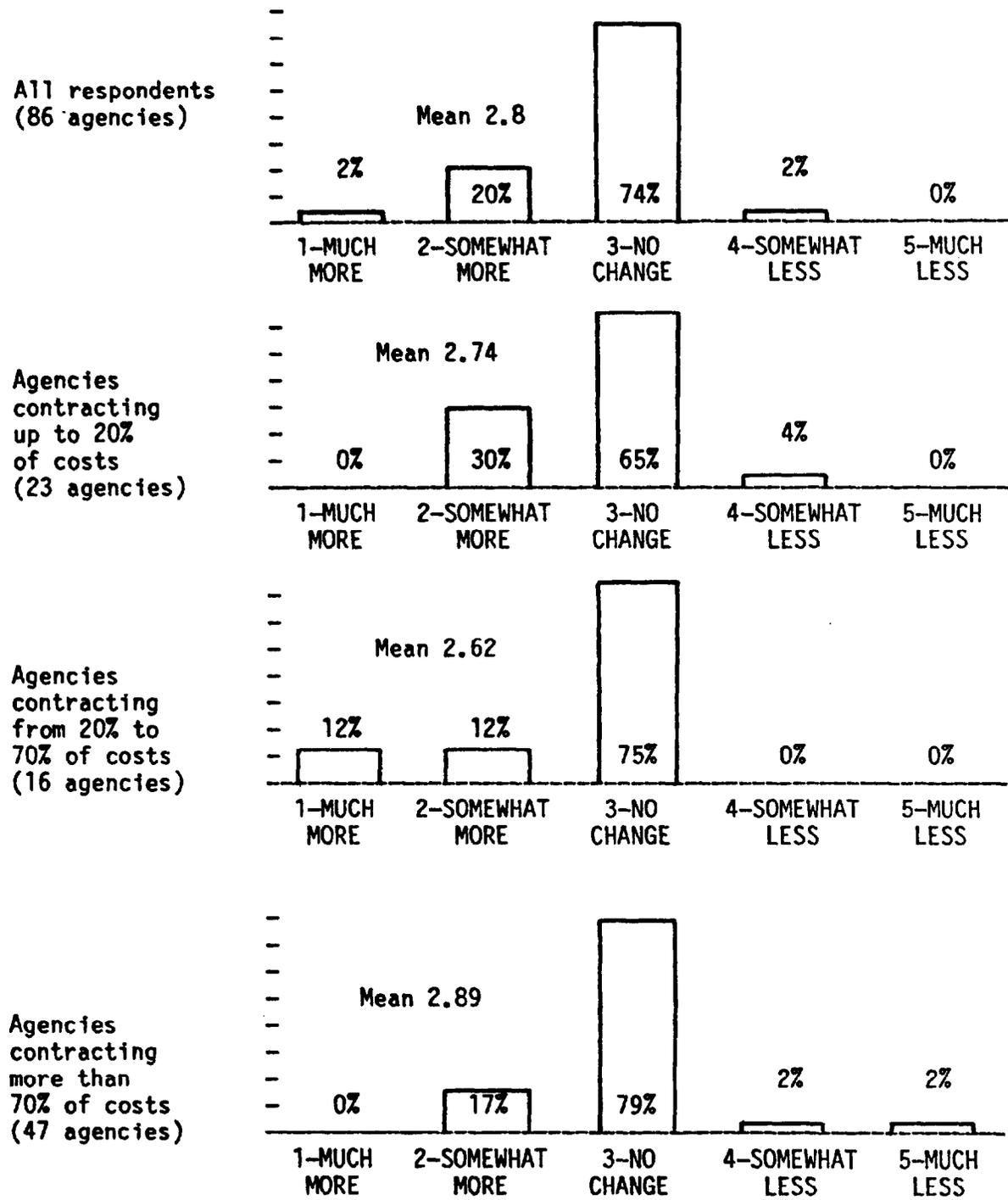
[1] The mean of their answers is significantly different from 3, the neutral answer, at 0.10.

[2] The mean is significantly different from 3.0 at 0.05.

[3] The mean is significantly different from 3.0 at 0.025.

4. FINDINGS
 4.2 QUANTITY OF CONTRACTING
 4.2.5 Future Contracting

Exhibit 4.12
 AMOUNT OF CONTRACTING PLANNED FOR THE FUTURE



4. FINDINGS
4.3 QUALITY OF CONTRACTING PRACTICES
4.3.1 Opinions of Information Available

Respondents were asked: "How do you rate the amount of information available on contracting procedures and practices?" (Question 18) for three functions according to the following scale:

1-TOO MUCH 2-ADEQUATE 3-NEED MORE 4-NEED MUCH MORE

Finding: The relative adequacy of the amount of information available to perform various administrative functions relating to contracting indicates that the greatest need for additional information is in the area of monitoring and evaluation of contractors.[1]

Information to decide to contract or do in-house	2.26
Information to monitor and manage	2.38
Information to evaluate contractors	2.45

Finding: The means of answers to this question are significantly higher than a response of "2-ADEQUATE", indicating a need for more information.[2] Although most respondents felt they had adequate or too much information for each of the three functions, at least one-quarter stated they needed more or much more information for each function (Exhibit 4.13). A need for more information on evaluating contracts was expressed by 43% of the respondents, for information to monitor and manage by 35%, and to decide to contract by 25%. These expressions of need for more information are sufficiently high to suggest that an industry-wide need exists for additional information on contracting.

Finding: There were no significant differences in the responses to these questions as a function of the fleet size, the type of service offered or the type of organization.

Comment: The responses suggest that there is a market for new means of providing and distributing information on monitoring and evaluating contractors.

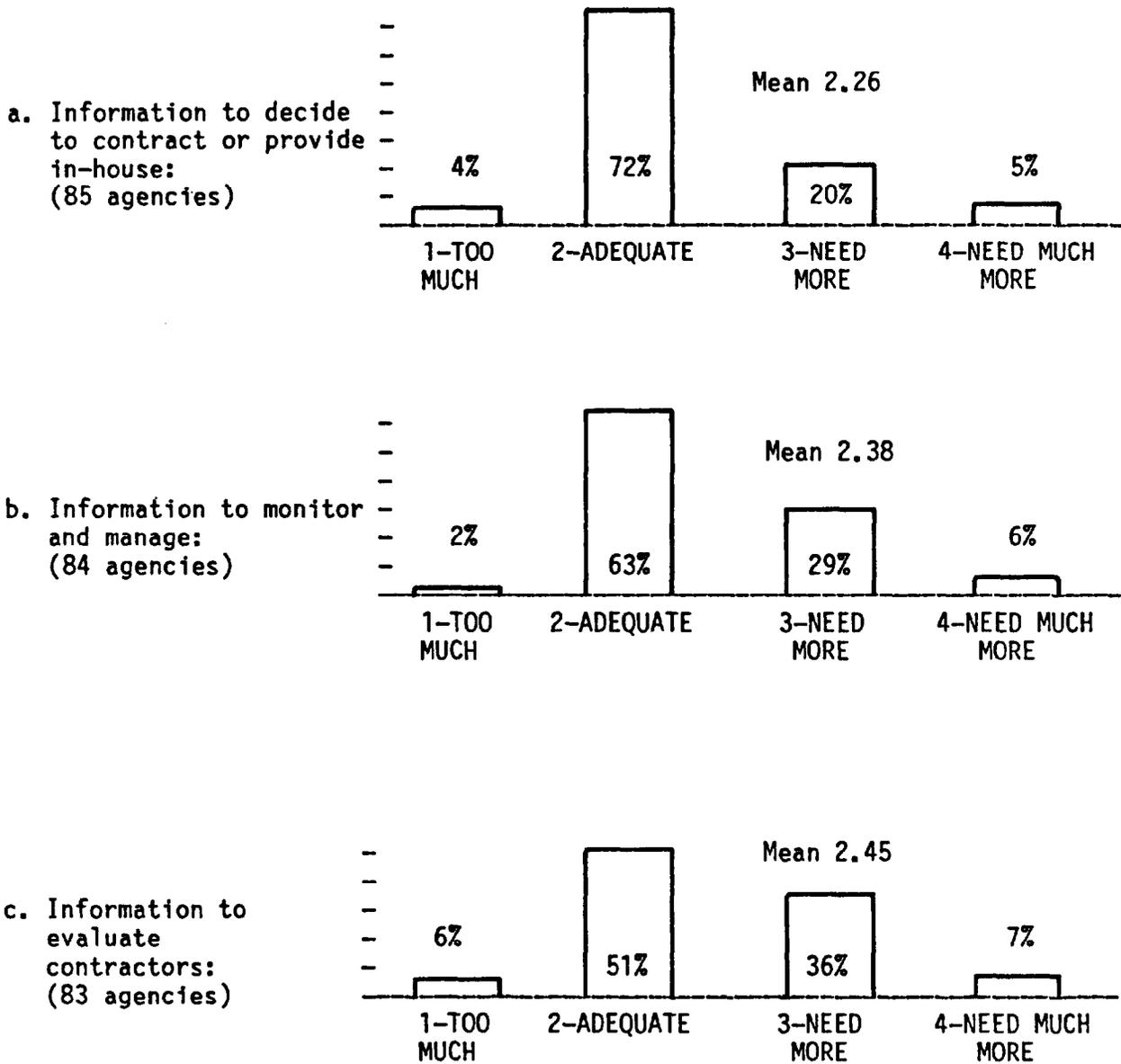
[1] These responses are not statistically different from the next response above or below it at 0.25 significance. However, the answers to deciding to contract (the first line) and the answers to evaluating contractors (the last line) are significant at the 0.05 level.

[2] All three means are different from 2 at a significance level of 0.005, a very strong indication of difference.

4. FINDINGS
 4.3 QUALITY OF CONTRACTING PRACTICES
 4.3.1 Opinions of Information Available

Exhibit 4.13

RATING OF THE AMOUNT OF INFORMATION AVAILABLE TO PERFORM FUNCTIONS
 (By the number of agencies)



4. FINDINGS
 4.3 QUALITY OF CONTRACTING
 4.3.2 Opinions of Contracting Practices

The respondents were asked to rate four aspects of their contracting practice by the question: "Please indicate how strongly you agree or disagree with each of the following statements about your agency's contracting practice and procedures using the code provided." (Question 19)

1-STRONGLY AGREE	2-AGREE SOMEWHAT	3-NEITHER AGREE NOR DISAGREE	4-DISAGREE SOMEWHAT	5-STRONGLY DISAGREE
---------------------	---------------------	---------------------------------	------------------------	------------------------

Finding: The means of the answers for the four types of procedures are shown below:

evaluating contractor performance could be improved	2.69
monitoring and managing contracts could be improved	2.81
deciding to contract or provide in-house services could be improved	2.95
contract award procedures could be improved	3.22

The means of the first two answers are significantly lower than the neutral answer of "3-NEITHER AGREE NOR DISAGREE" indicating that the respondents believe their procedures in this area could be improved.[1] The mean of the answers to the "deciding to contract or do in-house" is not significantly different from 3 and the mean of the last set of answers is significantly higher than 3.[2]

Finding: The lowest level of satisfaction is with the means of evaluating contractors, a finding consistent with the need expressed for more information on this function (see the previous section). Fifty-three percent (53%) of the respondents agreed with the statement that their procedures could be improved (Exhibit 4.14).

Finding: A majority of respondents (51%) also felt that their procedures for monitoring and managing contracts could be improved.

Finding: The lowest rating of the possibility of improvement is for making contract awards, a case in which 38% percent disagreed with the need for improvement and 29% stated agreement. It bears noting that the contract award process is often a sensitive issue, one involving legal liabilities, and that this reality may well bias respondents to adopt a positive view of their agency's procedures, as criticism would imply inadequate performance in an area subject to a good deal of legal scrutiny.

Finding: There are some differences in opinions among respondents in different sized agencies but nothing that is statistically significant.

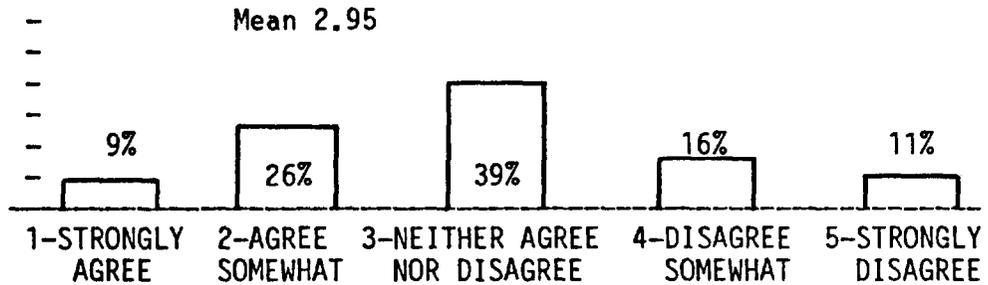
[1] The differences are significant at 0.01 and 0.10.
 [2] The difference is significant at 0.05.

4. FINDINGS
 4.3 QUALITY OF CONTRACTING
 4.3.2 Opinions of Contracting Practices

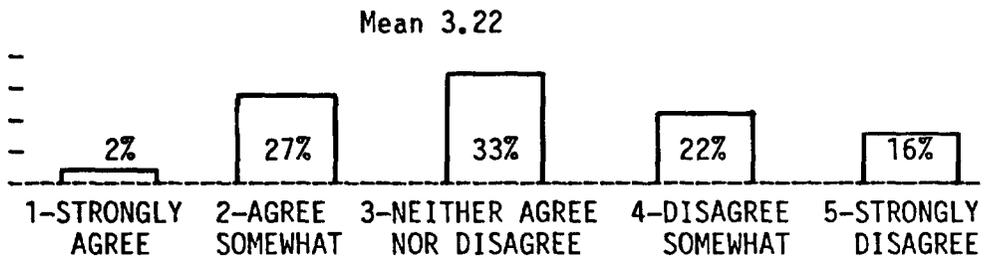
Exhibit 4.14

RATING OF THE POSSIBILITY OF IMPROVING PROCEDURES
 (By the number of agencies)

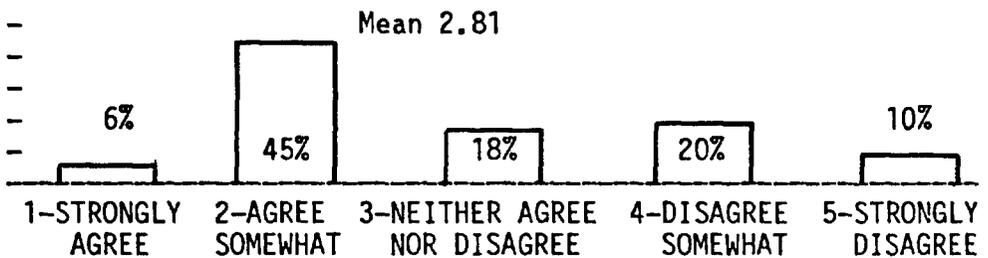
a. Procedures for deciding between contracting and in-house services could be improved. (82 agencies)



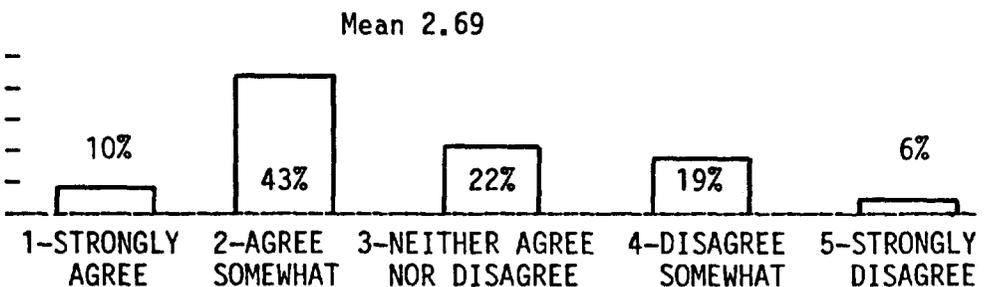
b. Procedures for contract awards could be improved. (82 agencies)



c. Procedures for monitoring and managing could be improved. (83 agencies)



d. Procedures for evaluating contractors could be improved. (83 agencies)



4. FINDINGS
4.4 VALUE OF CONTRACTING
4.4.1 Opinions of the Value of Contracting

Respondents were asked: "Please indicate the value of contracting to your agency's mission." (Question 21)

1-ESSENTIAL 2-USEFUL 3-IT HAS ITS PLACE 4-OVERRATED 5-DETRIMENTAL

Finding: The substantial majority (72%) of respondents rated contracting as being useful or essential, indicating a strong endorsement of the importance of contracting [1]. This is not a surprise considering the level of contracting reported. It does support the concept that contracting, where it is discretionary, is seen as a desirable approach (Exhibit 4.15).

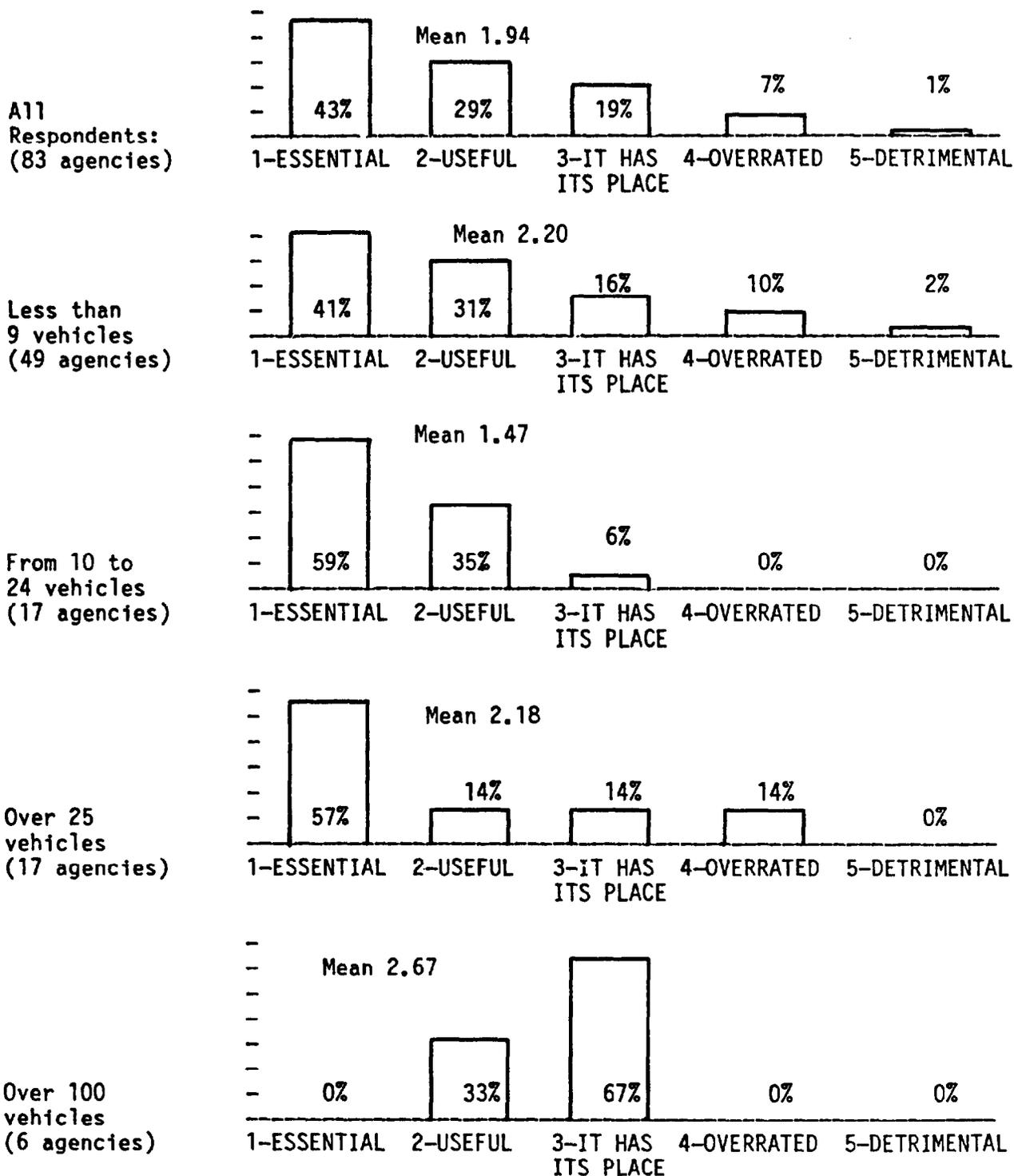
Finding: None of the responses from the six respondents having vehicle fleets greater than 100 rated contracting as essential indicating a lesser dependence on contracting among the largest agencies. Of course, these agencies all contract for only a small portion of their service.

[1] The difference of the means from the neutral "3-IT HAS ITS PLACE" is 0.005 for all systems and for each of the fleet sizes indicated in Exhibit 4.14 except fleets over 100 vehicles. For the latter the significance is 0.10.

4. FINDINGS
 4.4 VALUE OF CONTRACTING
 4.4.1 Opinions of the Value of Contracting

Exhibit 4.15

RATINGS OF THE VALUE OF CONTRACTING TO THE AGENCY'S MISSION
 (By number of agencies)



4. FINDINGS

4.4 VALUE OF CONTRACTING

4.4.2 Results of Studies of the Value of Contracting

Respondents were asked, "If you have any studies that estimate the dollar saving to you due to contracting, compared to doing it yourself, what are the amounts?" (Question 22)

Finding: Although cost saving is the primary reason cited for contracting (see Section 4.1.4), only six agencies provided cost saving numbers ranging from 10% to 60% with the most common response about 25% (Exhibit 4.16). All of these agencies cited cost savings as the reason for contracting, but not all contract for purchased transportation. Of the ones that do contract for purchased transportation, most of their budget is contracted.

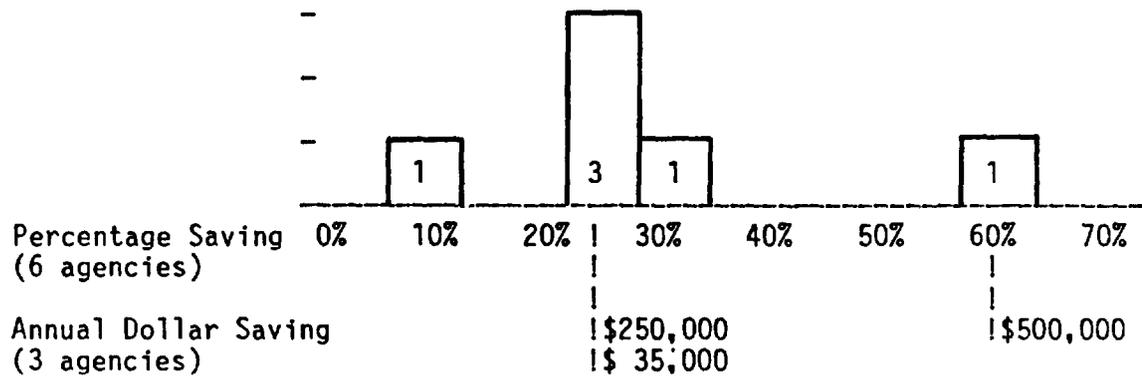
Finding: The response to the opinion question concerning the decision to contract or provide in-house services suggests that respondents are comfortable with their procedures for making the decision to contract even without analytical studies (Section 4.3.2).

Comment: The response rate was so low to this question that the only generalization which can be made is that few studies exist that identify the magnitude of savings. Contracting is either done on the faith that it is cost effective or because it is so obviously cost-effective that studies are not deemed worthwhile. A few respondents said they thought the savings to be significant and one said they wished they did have the numbers.

4. FINDINGS
 4.4 VALUE OF CONTRACTING
 4.4.2 Results of Studies of the Value of Contracting

Exhibit 4.16

REPORTED SAVINGS DUE TO CONTRACTING
 (By number of agencies reporting)



4. FINDINGS
4.5 DESCRIPTIONS OF CONTRACTING PRACTICES
4.5.1 Monitoring Revenue Service Contracts

Respondents were asked to indicate what methods they used for monitoring revenue service contracts from among the following choices (Question 6a):

- 1- ON ROAD MONITORING BY SUPERVISOR
 - 2- PASSENGER COMPLAINT SYSTEM
 - 3- CONTRACTOR REPORTS
 - 4- OTHER
-

Finding: The most frequently cited means of revenue service monitoring included all three methods listed above.[1]

Finding: Thirteen agencies, ten of which have fleets under nine vehicles, relied entirely on contractor reports for monitoring (Exhibit 4.17). A total of 29 of the 73 reporting relied on contractor reports and passenger complaints indicating that 41% had no regular method for independently monitoring contractor service. Assuming that the non-respondents had nothing to report, the number of agencies essentially not monitoring contractor performance could be large.

Comment: While monitoring may seem to be a weak point in the contracting practice of small agencies, it may be that a traditional independent monitoring activity may not be warranted for these systems which engage in service contracting. Perhaps a new approach to cost-effective monitoring is needed based on quantifiable performance measures imposed as a contractual obligation.

Finding: Of the 27 reporting agencies having more than nine vehicles, all but five used some independent form of monitoring. In addition to the use of an on the road supervisor, passenger surveys and performance audits were mentioned as means of service monitoring.

[1] Choices provided in a questionnaire usually bias the answers toward the use of those answers to the exclusion of others.

4. FINDINGS
 4.5 DESCRIPTIONS OF CONTRACTING PRACTICES
 4.5.1 Monitoring Revenue Service Contracts

Exhibit 4.17

METHODS FOR MONITORING REVENUE SERVICE CONTRACTS
 (By 73 responding agencies)

Methods	Contract Contents							Number of Occurrences[2]
On Road Monitoring	X	-	-	-	X	X	X	43
Passenger Complaint	X	-	X	X	X	X	X	58
Contractor Reports	X	X	X	-	-	X	X	60
Passenger Surveys	-	-	-	-	-	X	-	3
Audit/Performance Evaluation	-	-	-	-	-	-	X	3
Total Contracts[3]	30	13	11	6	5	3	3	
By Fleet: 0 to 9	16	10	8	6	4	-	1	
10 to 24	8	-	2	-	-	2	1	
25 to 49	3	1	1	-	-	1	-	
50 to 99	2	1	-	-	-	-	-	
Greater than 100	1	1	-	-	1	-	1	

[2] Number of times a method was cited alone or in combination with other methods.

[3] The two combinations not shown are found in only one agency each.

4. FINDINGS
4.5 DESCRIPTIONS OF CONTRACTING PRACTICES
4.5.2 Monitoring Maintenance Contracts [1]

Respondents were asked to indicate what methods they used for monitoring maintenance contracts from among the following choices (Question 6a):

- 1- QUALITY INSPECTION BY AGENCY AT CONTRACTOR'S PLANT
 - 2- QUALITY ACCEPTANCE INSPECTION AT AGENCY
 - 3- ACTIVITY SUPERVISION AT AGENCY
 - 4- IN-SERVICE BREAKDOWN REPORTING
 - 5- PERIODIC COST AND PERFORMANCE AUDITS BY OUTSIDERS
 - 6- OTHER
-

Finding: None of the methods of monitoring listed predominate in use (see Exhibit 4.18 - rightmost column). Breakdown reporting is cited as the most commonly used method, a reactive means which is probably the most cost-effective for the small agencies that report its use.

Finding: The method called "Activity supervision at the agency" was intended to cover the case where maintenance personnel were under the direction of the sponsoring agency. The high level of response suggests that it is interpreted in some other way.

Finding: No pattern of combinations of the methods predominates (Exhibit 4.18). Breakdown reporting alone is cited most often followed by the use of all methods.

[1] Monitoring of administrative contracts was also covered on the questionnaire. So few answers were received that no findings can be made.

4. FINDINGS
 4.5 DESCRIPTIONS OF CONTRACTING PRACTICES
 4.5.2 Monitoring Maintenance Contracts

Exhibit 4.18

FREQUENCY OF COMBINATIONS OF METHODS FOR MONITORING MAINTENANCE CONTRACTS
 (As used by the 61 responding agencies)

Methods									Number of Occurrences[2]
Quality Inspection at Contractor's Plant	-	X	-	X	-	-	X	-	22
Quality Acceptance Inspection	-	-	-	X	-	-	-	-	23
Activity Supervision at Agency	-	-	-	X	X	-	X	X	30
In-Service Breakdown Reporting	X	-	-	X	-	-	X	X	34
Cost and Performance Audits	-	-	X	X	-	-	X	-	29
Other Reports[3]	-	-	-	-	-	-	-	-	4
CHP Inspections[3]	-	-	-	X[4]	-	X	-	-	4
Total Contracts	7	4	4	5	3	3	3	3	
By Fleet: 0 to 9	7	2	4	2	3	1	1	2	
10 to 24	-	-	-	2	-	2	1	1	
25 to 49	-	2	-	-	-	-	1	-	
50 to 99	-	-	-	1	-	-	-	-	
Greater than 100	-	-	-	-	-	-	-	-	

[2] Count of the occurrences of each method alone and in combination with other methods.

[3] Categories added by respondents.

[4] Occurs once in combination with other items indicated.

4. FINDINGS
4.5 DESCRIPTIONS OF CONTRACTING PRACTICE
4.5.3 Types of Contracts Used

The respondents were asked: "What types of contracts are used?" for contracts in each of the major categories of goods and services selecting from the following options (Question 15):

1-COST PLUS	4-INCLUDES INCENTIVE PAYMENT
2-UNIT PRICE	5-OTHER
3-FIXED PRICE	

Comment: The frequency of the use of combinations of contract features are shown in Exhibit 4.19. The categories offered apparently are not sufficiently universal to capture the precise nature of the type of contract because contracts of conflicting types are combined in a single answer in a number of cases. Many contracts described by the respondents as fixed price probably call for payment for units of service (such as hours or miles) with a fixed limit on the total amount of such payments.

Finding: The large majority of contracts are either unit price or fixed price in nature, regardless of the type of good or service procured. Cost plus contracts are used in less than 10% of all cases (Exhibit 4.19).

Finding: Relatively few contracts contain incentive clauses. Incentives are used for only 13% of the contracts for revenue service and less frequently for the other major procurement categories.

Finding: The types of contracts used to procure goods or services do not significantly vary across the type of good or service procured.

4. FINDINGS
 4.5 DESCRIPTIONS OF CONTRACTING PRACTICE
 4.5.3 Types of Contracts Used

Exhibit 4.19

FREQUENCY OF USE OF TYPES OF CONTRACTS
 (By number of agencies)

Contract Types	REVENUE SERVICE	REVENUE MAINTENANCE	VEHICLE MAINTENANCE	NON-VEHICLE MAINTENANCE	ADMINISTRATIVE SERVICES		
Cost Plus	1	.....	2	.....	1	.....	2
Cost Plus/Unit Price ...	2	.....	0	.....	0	.....	0
Cost Plus/Unit and Fixed Price	0	.....	0	.....	0	.....	2
Cost Plus/Incentive	1	.....	0	.....	0	.....	0
Subtotal	4	.....	2	.....	1	.....	4
Unit Price	19	.....	9	.....	3	.....	2
Unit Price/Fixed Price ..	7	.....	3	.....	1	.....	1
Unit Price/Incentive ...	5	.....	1	.....	0	.....	0
Subtotal	31	.....	13	.....	4	.....	3
Fixed Price	26	.....	13	.....	4	.....	6
Fixed Price/Incentive ..	2	.....	1	.....	1	.....	0
Subtotal	28	.....	14	.....	5	.....	6
Total[1]	63	.....	29	.....	10	.....	13

[1] Indicates the number of agencies responding to each part of the question.

4. FINDINGS
4.5 DESCRIPTION
4.5.4 Contract Award Procedures Used

The respondents were asked: "What award procedures are used?" to identify the award procedures using the following choices (Question 17):

1-SOLE SOURCE	4-RENEWAL AND EXTENSION
2-TECHNICAL PROPOSAL	5-OTHER
3-LOW PRICE	

Comment: The answers to Question 17 are shown in Appendix E. The particular combinations reported suggest some confusion concerning the definition of the terms. An interpretation of the answers is shown in Exhibit 4.20. The interpretations are explained in the footnotes.

Finding: For all types of contracting, low price is the most important factor in making contract awards. It is mentioned in 54 of 105 award cases (51%) as at least one of the award procedures. This is consistent with the cost saving motivation for contracting. "Technical proposal" is the next most frequent method cited for awarding contracts; it is cited in 35 cases (33%). There are ten cases when both low price and technical proposal are cited. The award procedure implied is one when several contractors are qualified technically and the low bidder among that group is selected.

Finding: For competitive awards of contracts for revenue service, the most common criteria used to select a contractor is low price. Low price is apparently the only important criteria in about one-third of such cases, and is one of two major criteria (the other being the technical proposal) in two-thirds of all such cases.

Finding: Approximately 40% of all contract awards involve renewals of contracts, either competitively or non-competitively. The use of renewal drops to 15% if it is assumed that when cited with another criteria, the other criteria predominated and the fact that a renewal occurred was incidental.

Comment: The high number of renewals may be due to the fact that agencies are satisfied with their contractors, that the choice of contractors is limited, or that they do not have the means to evaluate contractors. Since agencies identify the latter as an area in which they recognize the need to improve, this may be an indicator of support for that need.

Finding: There is relatively little difference in award procedures among different types of services and goods. There is somewhat greater use of low price for revenue service and vehicle maintenance than the other two categories, but the differences are not large.

Finding: With the exception of renewals, the large majority of contract awards are competitive in nature. Only 11% of non-renewal contract awards used a sole source mechanism.

4. FINDINGS
 4.5 DESCRIPTION OF CONTRACTING PRACTICES
 4.5.4 Contract Award Procedures Used

Exhibit 4.20

FREQUENCY OF USE OF INDIVIDUAL CONTRACT FEATURES[1]

Contract Types	REVENUE SERVICE	MAINTENANCE		ADMINISTRATIVE SERVICES	TOTAL
		REVENUE VEHICLE	NON-VEHICLE		
Competitive					
Low price	22	8	3	2	35
Technical Proposal .	11	0	1	3	16
Both	10	2	3	4	19
Subtotal	43	10	7	9	79
Non-Competitive					
Renewal[2]	12	2	1	1	16
Sole Source[3]	8	3	4	5	20
Subtotal	20	5	5	6	35
TOTAL CASES	63	15	12	15	105

[1] Number of times a feature of a contract was cited alone or in combination with other features.

[2] Assumed to be non-competitive unless other criteria were specified, in which case award was classified in one of the competitive categories.

[3] Assumed to be non-competitive regardless of whether it was reported in combination with other categories or not.

4. FINDINGS

4.6 STUDY CONTRACTS

Although not considered an operating cost, studies were included to ascertain the level of government mandated studies and to what degree contracting is used to conduct studies.

Finding: Forty-two study contracts were cited by the respondents (Exhibit 4.21). Reliable information on the number of studies performed in-house was not provided. No generalizations can be made on the basis of this data.

Comment: Typically, an agency might be responsible for conducting studies of the following types:

- Short Range Transit Plan
- Financial Audit
- Performance Audit
- Coordination Studies
- Productivity Studies
- Ridership and Rider Survey Studies
- Regional Transportation Plans

Although several of these studies are legally required of agencies using federal or state transportation funds, the few contracts reported suggest that these studies, if performed, are typically done by in-house staff or by the RTPA for the agency. The three year performance audit is required of all TDA claimants but is usually done by the RTPA.

Comment: The authority requiring the study is shown in Exhibit 4.22. This data is not sufficient to support findings.

4. FINDINGS
4.6 STUDY CONTRACTS

Exhibit 4.21

NUMBER AND DOLLAR AMOUNT OF STUDIES

Fleet Size	Total Study Budget (1000's)	Number of Contracted Studies	Dollar Amount Contracted (1000's)
Less than 9 vehicles (9 responding agencies)	123.2	7	48.5
10 to 24 vehicles (7 responding agencies)	187.0	10	182.0
25 to 49 vehicles (3 responding agencies)	157.5	4	136.0
50 to 99 vehicles (3 responding agencies)	128.5	2	64.0
Greater than 100 vehicles (1 responding agency)	3258.0	19	3258.0

Exhibit 4.22

TYPES OF STUDIES BY REQUIRING AUTHORITY
(Number of studies)

	Mandating Authority				
	Local	Regional	State	Federal	Other
Less than 9 vehicles	-	-	5	-	2
10 to 24 vehicles	-	3	3	2	2
25 to 49 vehicles	-	1	3	-	-
50 to 99 vehicles	1	-	1	-	-
Greater than 100 vehicles	6	5	2	6	-

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APPENDICES

APPENDIX A - QUESTIONNAIRE

A SURVEY OF CONTRACTING PRACTICE OF CALIFORNIA PUBLIC TRANSIT AGENCIES
INSTRUCTIONS FOR COMPLETING THE QUESTIONNAIRE

This questionnaire is designed to collect information for a study of the contracting practices of California transit agencies. The information will be analyzed to identify the best contracting practice and will be shared among all participating agencies.

The questionnaire is being used to explore contracting as used by a variety of transit agencies. Some questions may seek information that is not relevant to the operation of your system. Please complete the material that applies to you and write NA for "not applicable" in spaces that do not apply to you.

The questions are printed in lower case and are identified with a "Q" followed by sequence number. The answers are indicated in UPPER CASE. (Instructions are in parentheses.) You are usually asked to circle one or more of the listed answers, except when the questions call for the entry of numerical answers in which case you will see a "_____" or a "\$_____". Usually numerical answers are requested for various functions performed in transit; these functions coincide with cost categories. We have tried to use standard categories which are defined in the glossary.

In most cases, we provide an "Other" category in each question to cover situations we have not included. If you use this answer, please provide us with the details in any blank space near the "Other" category. In addition, please write your comments about any subjects covered in the questionnaire in the margins or on the back page of the questionnaire if the structure of the answers provided does not adequately explain your situation.

We hope to have all the completed questionnaires returned by July 25. Please help us to meet this date. If you have any questions please call me at the number indicated below. We have tried to design an interesting questionnaire that will stimulate your thinking about contracting. We look forward to receiving your answers.

THANK YOU!

Don Freese
916/322-1418

YOUR NAME _____

Title _____

Agency _____

Location Address _____

Mailing Address _____

City, ZIP _____

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TYPE OF AGENCY

Q1. What type of agency are you describing in this questionnaire?

- 1-CITY DEPARTMENT
- 2-COUNTY DEPARTMENT
- 3-INDEPENDENT PUBLIC TRANSIT AGENCY
- 4-NOT-FOR-PROFIT CORPORATION
- 5-PRIVATE COMPANY
- 6-OTHER (Please specify): _____

CONTRACT AWARD PROCEDURES

Q2. What is the maximum dollar contract that can be awarded without policy board approval? (Please provide a dollar amount or circle 1 to indicate all contracts are board approved.)

\$ _____ 1-ALL CONTRACTS MUST BE APPROVED BY THE POLICY BOARD

Q3. What contract amount requires evaluation by a selection committee?

a. GOODS: \$ _____ NOT APPLICABLE b. SERVICES: \$ _____ NA

Q4. What is the maximum allowable amount for a sole source contract? (Please provide a dollar amount or circle 1 to indicate there is no limit.)

\$ _____ 1-NO LIMIT

CONTRACT MANAGEMENT

Q5. Who on your agency staff performs the various contracting functions? (Please answer using the codes given below.)

- | | | |
|--------|-------------------------|--------------------------|
| CODES: | 1-FUNCTION NOT ASSIGNED | 5-LEGAL OFFICER |
| | 2-LINE MANAGER | 6-TRANSPORT DIRECTOR |
| | 3-CONTRACT SPECIALIST | 7-GENERAL MANAGER |
| | 4-PURCHASING DEPARTMENT | 8-OTHER (Please specify) |

Contracting Function	STAFF MEMBER							OTHER (Specify)
	(Please circle your answer)							
A. Maintain and update qualified-bidder lists	1	2	3	4	5	6	7	8 _____
B. Maintain contractor performance histories	1	2	3	4	5	6	7	8 _____
C. Oversee awards process	1	2	3	4	5	6	7	8 _____
D. Assist contract negotiations	1	2	3	4	5	6	7	8 _____
E. Review contract documents	1	2	3	4	5	6	7	8 _____
F. Sign contracts or contract approvals	1	2	3	4	5	6	7	8 _____
G. Day to day management contract	1	2	3	4	5	6	7	8 _____
H. Invoice sign-off								
a. Up to \$ _____	1	2	3	4	5	6	7	8 _____
b. Up to \$ _____	1	2	3	4	5	6	7	8 _____

Q6. What methods are used for contract monitoring? (Circle all answers that apply)

- a. Revenue Service:
- 1-ON ROAD MONITORING BY SUPERVISOR
 - 2-PASSENGER COMPLAINT SYSTEM
 - 3-CONTRACTOR REPORTS
 - 4-OTHER (Please specify): _____

Q6. (Continued) What methods are used for contract monitoring?
(Circle all answers that apply.)

- b. Maintenance: (Vehicles and Non-vehicles)
 - 1-QUALITY INSPECTION BY AGENCY AT CONTRACTOR'S PLANT
 - 2-QUALITY ACCEPTANCE INSPECTION AT AGENCY
 - 3-ACTIVITY SUPERVISION AT AGENCY
 - 4-IN-SERVICE BREAK-DOWN REPORTING
 - 5-PERIODIC COST AND PERFORMANCE AUDITS BY OUTSIDERS
 - 6-OTHER (Please specify): _____

- c. Administrative Services:
 - 1-PERIODIC INFORMAL EVALUATION BY USERS
 - 2-PERIODIC WRITTEN EVALUATION BY USERS
 - 3-OTHER (Please specify): _____

QUANTITY OF CONTRACTS

Q7. In this section and the next one, we ask for numbers describing the volume of contracting done. We also are asking for some data on your operations so that we can classify agencies for proper comparison. We would like the data from the most recent full twelve month period that is available. Please indicate which year is being used. (Please circle your answer.)

- a. 1-FISCAL YEAR 1984-85 2-FISCAL YEAR 1985-86 3-CALENDAR YEAR 1985 4-OTHER (Please specify): _____

- b. Our fiscal year ends at the end of the month of _____.

In the next series of questions (Q8 to Q13), we ask what portion of your total operating costs have been paid to contractors, how many contracts you had and their length. If you do not have the detailed breakdown of costs requested in each category, please give us the totals by the major categories on the "TOTAL" line. The first item (A) in Questions 8 to 12 refers to a contract for a package of services. They are described more completely in Question 14.

(Please place the requested numbers in the space provided.)

	a. TOTAL OPERATING COSTS	b. TOTAL CONTRACT COSTS	c. NUMBER OF CONTRACTS	d. LENGTH OF CONTRACTS (Months)
Goods and Services				
Q8. Management				
A. Personal services contracts for managers (Contracts providing services of specific managers - management services contracts).	\$ _____	\$ _____	_____	_____
B. Other	\$ _____	\$ _____	_____	_____

APPENDIX A – QUESTIONNAIRE

Goods and Services	a. TOTAL OPERATING COSTS	b. TOTAL CONTRACT COSTS	c. NUMBER OF CONTRACTS	d. LENGTH OF CONTRACTS (Months)
Q9. Revenue Service				
A. Purchased transportation (Contracts calling for a specified level of bus service; contractor usually provides operator personnel, may provide other personnel)	\$ _____	\$ _____	_____	_____
B. Fuel	\$ _____	\$ _____	_____	_____
C. Tires	\$ _____	\$ _____	_____	_____
D. Ticket sales	\$ _____	\$ _____	_____	_____
E. Fare counting	\$ _____	\$ _____	_____	_____
F. Vehicle lease	\$ _____	\$ _____	_____	_____
G. Other equipment leases	\$ _____	\$ _____	_____	_____
H. Other (Please specify): _____	\$ _____	\$ _____	_____	_____
I. TOTAL (Please provide a total in this category ONLY if it is not possible to provide the more detailed breakdown above)	\$ _____	\$ _____	_____	_____
Q10. Revenue Vehicle Maintenance				
A. Packaged services (Contracts providing personnel and a set of services)	\$ _____	\$ _____	_____	_____
B. Major overhaul/component rebuild	\$ _____	\$ _____	_____	_____
C. Minor overhaul/service	\$ _____	\$ _____	_____	_____
D. Body work/painting/upholstery	\$ _____	\$ _____	_____	_____
E. Servicing/cleaning	\$ _____	\$ _____	_____	_____
F. Tire leasing	\$ _____	\$ _____	_____	_____
G. Non-revenue vehicle maintenance	\$ _____	\$ _____	_____	_____
H. Road call/towing	\$ _____	\$ _____	_____	_____
I. Other (Please specify): _____	\$ _____	\$ _____	_____	_____
J. TOTAL (See Q9I above)	\$ _____	\$ _____	_____	_____
Q11. Non-vehicle Maintenance				
A. Packaged services (See Q10a) .	\$ _____	\$ _____	_____	_____
B. Building/grounds/janitorial/ waste/repair	\$ _____	\$ _____	_____	_____
C. Bus stop cleaning/repair	\$ _____	\$ _____	_____	_____
D. Fare collection equipment	\$ _____	\$ _____	_____	_____
E. Communications equipment	\$ _____	\$ _____	_____	_____
F. Roadway/parking facility	\$ _____	\$ _____	_____	_____
G. Other (Please specify): _____	\$ _____	\$ _____	_____	_____
H. TOTAL (See Q9I above)	\$ _____	\$ _____	_____	_____

APPENDIX A - QUESTIONNAIRE

Goods and Services	a. TOTAL OPERATING COSTS	b. TOTAL CONTRACT COSTS	c. NUMBER OF CONTRACTS	d. LENGTH OF CONTRACTS (Months)
Q12. Administrative Services				
A. Packaged services (See Q10a) .	\$ _____	\$ _____	_____	_____
B. Safety/security services	\$ _____	\$ _____	_____	_____
C. Marketing/advertising/p.r./ consumer services	\$ _____	\$ _____	_____	_____
D. Benefits administration	\$ _____	\$ _____	_____	_____
E. Legal services	\$ _____	\$ _____	_____	_____
F. Finance/accounting	\$ _____	\$ _____	_____	_____
G. Data processing/secretarial services	\$ _____	\$ _____	_____	_____
H. Property management	\$ _____	\$ _____	_____	_____
I. Risk management	\$ _____	\$ _____	_____	_____
J. Communications	\$ _____	\$ _____	_____	_____
K. Facilities	\$ _____	\$ _____	_____	_____
L. Office equipment/data processing leases	\$ _____	\$ _____	_____	_____
M. Non-revenue vehicles lease ...	\$ _____	\$ _____	_____	_____
N. Other (Please specify): _____	\$ _____	\$ _____	_____	_____
O. TOTAL (See Q9I above)	\$ _____	\$ _____	_____	_____
Q13. Special Studies (Please specify type)				
A. Locally required				
a. _____	\$ _____	\$ _____	_____	_____
b. _____	\$ _____	\$ _____	_____	_____
c. _____	\$ _____	\$ _____	_____	_____
B. Regionally required				
a. _____	\$ _____	\$ _____	_____	_____
b. _____	\$ _____	\$ _____	_____	_____
c. _____	\$ _____	\$ _____	_____	_____
C. State required				
a. _____	\$ _____	\$ _____	_____	_____
b. _____	\$ _____	\$ _____	_____	_____
c. _____	\$ _____	\$ _____	_____	_____
D. Federally required				
a. _____	\$ _____	\$ _____	_____	_____
b. _____	\$ _____	\$ _____	_____	_____
c. _____	\$ _____	\$ _____	_____	_____
E. Other				
a. _____	\$ _____	\$ _____	_____	_____
b. _____	\$ _____	\$ _____	_____	_____
c. _____	\$ _____	\$ _____	_____	_____

APPENDIX A - QUESTIONNAIRE

PACKAGED CONTRACTS AND PURCHASED TRANSPORTATION

If you have indicated in Questions 8, 9, 10, 11, or 12 that you contract for packages of services, please complete this question. Otherwise proceed to Q15.

Q14. What functions are included in your package contracts? (Using a column for each package contract - up to four provided - please indicate the functions with a check in each appropriate row.)

Functions	A. Contract 1	B. Contract 2	C. Contract 3	D. Contract 4
a. General management	___	___	___	___
b. Vehicle operators	___	___	___	___
c. Contractor's vehicles	___	___	___	___
d. Maintenance personnel	___	___	___	___
e. Vehicle storage facilities	___	___	___	___
f. Maintenance facilities ...	___	___	___	___
g. Administrative facilities	___	___	___	___
h. Marketing	___	___	___	___
i. Other (Specify): _____	___	___	___	___
j. Other _____	___	___	___	___

DESCRIPTION OF CONTRACTS

For each category of goods and services (A to F), please indicate the categories of contracts typically used. More complete descriptions of the categories are in the glossary.

Q15. What types of contracts are used? (Indicate the types of contracts typically used by placing a check mark in as many columns as apply.)

Goods and Services Categories	a. COST PLUS	b. UNIT PRICE	c. FIXED PRICE	d. INCLUDES INCENTIVE PAYMENT	e. OTHER (Specify)
A. Management	___	___	___	___	___
B. Revenue service	___	___	___	___	___
C. Revenue vehicle maintenance ..	___	___	___	___	___
D. Non-vehicle maintenance	___	___	___	___	___
E. Administrative services	___	___	___	___	___
F. Special studies	___	___	___	___	___

Q16. Why is contracting used? (Indicate the reasons contracts are typically used by placing a check mark in as many columns as apply.)

Goods and Services Categories	a. ONLY OPTION	b. COST SAVING	c. SATISFY FUNDING SOURCE	d. SPECIAL EQUIPMENT	e. FLEXIBLE POLICY/ SKILLS	f. OTHER Specify
A. Management	___	___	___	___	___	___
B. Revenue service	___	___	___	___	___	___
C. Revenue vehicle maint..	___	___	___	___	___	___
D. Non-vehicle maintenance	___	___	___	___	___	___
E. Administrative services	___	___	___	___	___	___
F. Special studies	___	___	___	___	___	___

Q17. What award procedures are used? (Indicate the types of award procedures typically used by placing a check mark in as many columns as apply.)

Goods and Services Categories	a. SOLE SOURCE	b. TECHNICAL PROPOSAL	c. LOW PRICE	d. RENEWAL & EXTENSION	e. OTHER Specify
A. Management	—	—	—	—	—
B. Revenue service	—	—	—	—	—
C. Revenue vehicle maintenance .	—	—	—	—	—
D. Non-vehicle maintenance	—	—	—	—	—
E. Administrative services	—	—	—	—	—
F. Special studies	—	—	—	—	—

IMPACT OF CONTRACTING

Q18. How do you rate the amount of information available to you on contracting procedures and practices? (Please use the code provided.)

CODE: 1-TOO MUCH 2-ADEQUATE 3-NEED MORE 4-NEED MUCH MORE

- a. Information for deciding between contracting (Please circle your answer) and providing in-house services 1 2 3 4
- b. Information for monitoring and managing contracts ... 1 2 3 4
- c. Information for evaluating contractors 1 2 3 4

Q19. Please indicate how strongly you agree or disagree with each of the following statements about your agency's contracting practices and procedures using the code provided.

CODE: 1-STRONGLY AGREE 2-AGREE SOMEWHAT 3-NEITHER AGREE NOR DISAGREE 4-DISAGREE SOMEWHAT 5-STRONGLY DISAGREE

(Please circle your answer)

- a. Our procedures for deciding between contracting and providing in-house services could be improved 1 2 3 4 5
- b. Our procedures for contract awards could be improved .. 1 2 3 4 5
- c. Our procedures for monitoring and managing contracts could be improved 1 2 3 4 5
- d. Our procedures for evaluating contractor performance could be improved 1 2 3 4 5

Q20. How much contracting are you planning in the future? (Please circle your answer.)

1-MUCH MORE 2-SOMEWHAT MORE 3-NO CHANGE 4-SOMEWHAT LESS 5-MUCH LESS

Q21. Please indicate the value of contracting to your agency's mission.

1-ESSENTIAL 2-USEFUL 3-IT HAS ITS PLACE 4-OVERRATED 5-DETRIMENTAL

Q22. If you have any studies that estimate dollar savings to you due to contracting, compared to doing it yourself, what are the amounts?

DOLLAR SAVINGS \$ _____ PERCENTAGE SAVING _____ %

Q23. Has this questionnaire introduced any potentially useful ideas about the use of contracting?

1-MANY 2-SOME 3-A FEW 4-NONE 5-WASTE OF TIME

END OF QUESTIONNAIRE

Please use this space and the back cover for any comments you would like to make on the topic of contracting.

CHECKLIST OF REQUESTED ACTIONS:

1. Please complete and mail back response postcard as soon as the questionnaire is received. The postcard needs no postage. If we haven't received the postcard by July 17, we will call to see if you have the questionnaire.
2. Complete and mail back questionnaire by July 25. A stamped, addressed envelope has been enclosed with the questionnaire for this purpose.
3. Expect a follow-up telephone call shortly after the questionnaire is received or the week of July 25.

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APPENDIX B - GLOSSARY

Administrative Services (General Administrative Services): All services not part vehicle operations, vehicle and non-vehicle maintenance. Usually includes general management costs, but since management is contracted for by some agencies, management has been placed in a separate category for this study.

Agency: A public organization, such as a city, or a private transit company with responsibility for operating motor bus or demand responsive services.

Bid: A bid is an offer to supply a good or service that has been rigorously defined by the buyer for a firm price in competition with other suppliers. Contrasts to a proposal.

Category, Goods and Services: A good or activity which serves as a cost item in an agency budget. In this study, two levels of categories are used. The six major categories are management, revenue service, revenue vehicle maintenance, non-vehicle maintenance, administrative services, and general studies.

Consolidated Transportation Service Agency (CTSA): An agency created by state legislation and designated by the RTPAs to coordinate social service transportation. CTSAs are eligible claimants for TDA funds.

Cost Plus Contracts: Cost plus, or cost, contracts are contracts which assure suppliers of payment of their costs plus a fee for profit. These contracts include cost plus fixed fee and cost plus incentive fee contracts.

Demand Responsive Service: Rubber-tired passenger vehicles operated on city streets, propelled by gas, gasoline or diesel engines, equipped to provide personal demand transit service normally upon dispatch and used exclusively for this service.

Fixed Price Contract: Fixed-price contracts are those in which the contractor agrees to deliver a specific level and quality of good or service for a set price. Includes: firm fixed-price contracts in which there is no provision for price changes; fixed-price contracts with escalation due to contingencies such as inflation; and, fixed-price contracts with incentives which tie the price to performance targets by the supplier.

General Administration Expenses: All costs not associated with vehicle operations, vehicle maintenance, and non-vehicle maintenance. Typically may include such expenses as administrative wages and fringe benefits, advertising, outside professional fees, office supplies, telephone and utilities, general insurance premiums, dues, subscriptions and travel.

Invitation for Bids (IFB): A request from a buyer to a seller for a bid.

Joint Powers Agency (JPA): An organization created by a contract, called a Joint Powers Agreement, among public agencies.

Management Services: The services of general management of the agency which would normally include the general manager and deputy. Other management type functions usually fall into the other service categories.

APPENDIX B - GLOSSARY

Non-Vehicle Maintenance: Category of goods and services associated with the inspection, maintenance, and repair of assets other than vehicles (buildings, equipment, etc.). Includes costs for maintenance wages and fringe benefits, maintenance supplies, repair materials, contracted (outside) maintenance work.

Operating Expenses: All expenses associated with operation of vehicles. Usually excludes interest and depreciation for publicly owned operators and includes these expenses for privately owned operators.

Purchased Transportation: Transportation service purchased by a public agency from a public or private transportation provider based on a written contract.

Regional Transportation Planning Agency (RPTA): An agency designated by the state legislature as the organization being responsible for coordinating planning in a designated geographic region.

Qualifications: Written statement of the capabilities of a potential supplier.

Request for Proposal (RFP): Request for the submission of a proposal to provide a good or service.

Revenue Service: Category associated with operating vehicles, such as operators' wages and benefits, fuel, and tires. The costs in this category are not the same as "Operating Expenses" which is a broader term including all categories of goods and services but excluding capital costs.

Revenue Vehicle Maintenance: Category of goods and services associated with the inspection, maintenance, and repair of revenue vehicles, such as mechanics' wages and fringe benefits, maintenance supplies, repair parts, contracted (outside) maintenance, and repair work.

Sole Source Contracts: Sole source contracts are those awarded to a supplier without solicitation of bids or proposals from competing suppliers.

Technical Proposal: A proposal is an offer to supply a good or service when the buyer has not rigorously defined the good or service and the suppliers are asked to propose what they consider to be an appropriate good or level of service, in competition with other suppliers. Contrasts to a bid.

Unit Price Contract: Contract providing for payment of a specific rate for a unit of goods or services.

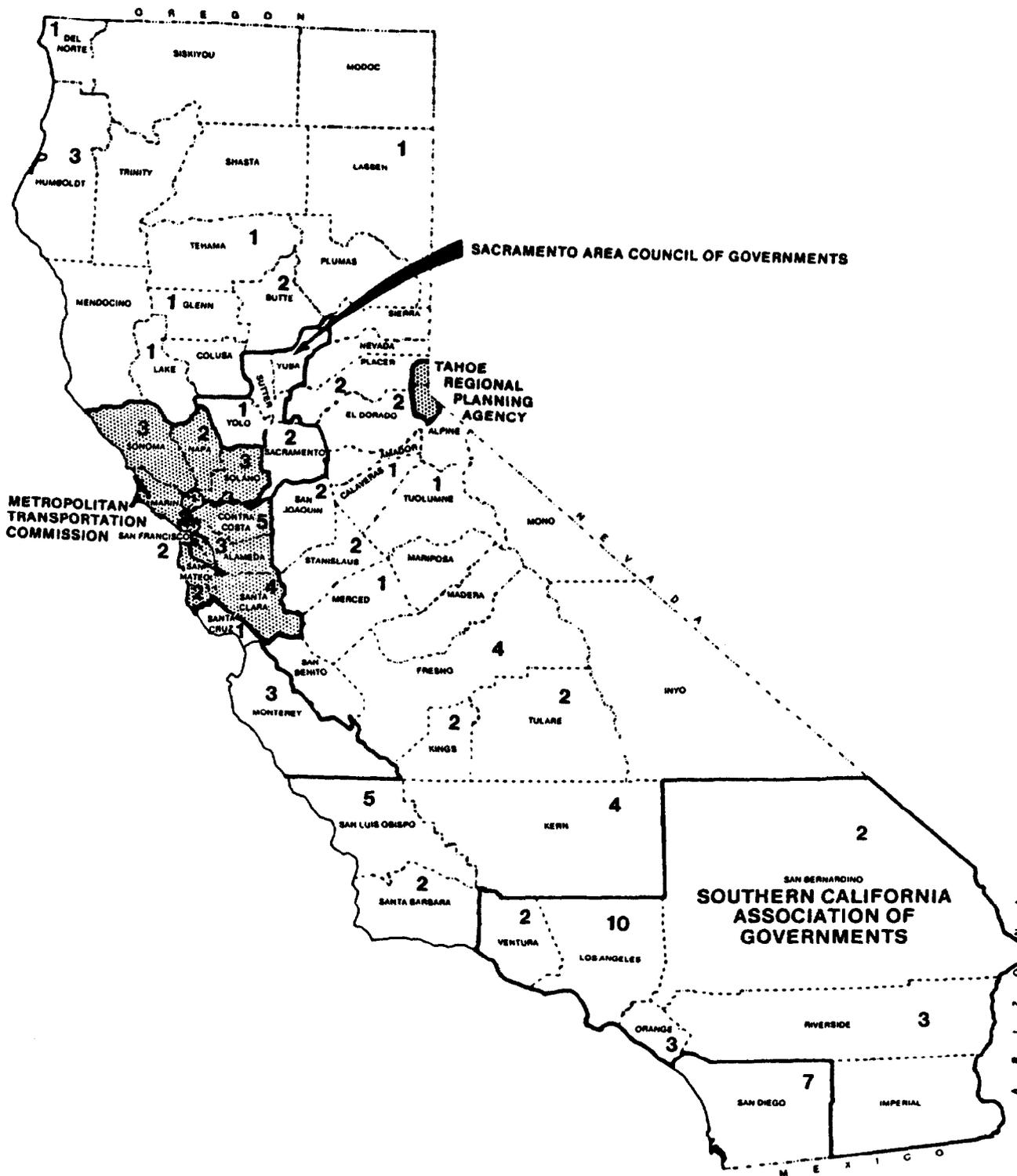
Vehicle Fleet: Vehicles which are available for revenue service including operational spare vehicles. Vehicles which are permanently stored or are inoperable are excluded.

Vehicle Maintenance Expenses: Costs associated with the inspection, maintenance, and repair of vehicles, such as mechanics' wages and fringe benefits, maintenance supplies, repair parts, "outside" maintenance and repair work.

Year, Most Recent: The most recent twelve month period for which the operating and performance data requested in this questionnaire can be provided. May be either a calendar or fiscal year.

APPENDIX C

LOCATION OF RESPONDENTS
BY REGIONAL TRANSPORTATION PLANNING AGENCY
(By number of respondents in each county)



APPENDIX D
JOB FUNCTIONS OF RESPONDING INDIVIDUALS

<u>Job Functions</u>	<u>Number of Respondents</u>
Transportation Manager/Coordinator	24
Administrative Staff	18
Finance	8
Transportation Planner/Other	7
Public Works/ Engineering	7
Other Managers	7
Community Services	5
Planning	3
Unspecified	19

APPENDIX E

FREQUENCY OF USE OF CONTRACT AWARD PROCEDURES
(By number of agencies)

Contract Types	REVENUE SERVICE	REVENUE VEHICLE MAINTENANCE	NON-VEHICLE MAINTENANCE	ADMINISTRATIVE SERVICES
Sole Source	3	0	1	1
Sole Source/Technical Proposal	0	0	0	1
Sole Source/Renewal ..	1	0	0	0
Sole Source/Low Price/Renewal	3	0	0	0
Sole Source/Technical Proposal/Low Price ..	0	1	0	0
Sole Source/Technical Proposal/Renewal ...	0	1	1	0
Sole Source/Technical Proposal/Low Price/Renewal	1	1	2	3
Subtotal	8	3	4	5
Technical Proposal ...	8	0	1	2
Technical Proposal/Low Price	8	1	3	3
Technical Proposal/Renewal	3	0	0	1
Technical Proposal/Low Price/Renewal ..	2	1	0	1
Subtotal	21	2	4	7
Low Price	17	8	2	2
Low Price/Renewal	5	0	1	0
Subtotal	22	8	3	2
Renewal	12	2	1	1
Total	63	15	12	15

APPENDIX F
MINORITY BUSINESS PARTICIPATION

The contract for the work reported in this report requires an accounting of the participation of Disadvantaged Business Enterprise (DBE) and Women-Owned Business Enterprise (WBE). The DBE, Homitz, Allen and Associates, conducted much of the telephone work. Their subcontract comprised 10.3% of the total contract amount.

The WBE, Geri Cross and Associates, was responsible for consulting on the financial portions of transit information and on the general design of the study. Their subcontract amounted to 3.4% of the contract amount.

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